Kotipizza Group
Business ID 2416007-6

Kotipizza Group

Financial Statements 31 January 2015

To be archived until 31 January 2025

Table of Contents

For the financial year ended 31 January 2015		Page
Annual report		1–2
Consolidated statement of profit or loss		3
Consolidated statement of other comprehensive income		4
Consolidated statement of financial position, Assets		5
Consolidated statement of financial position, Equity and liabilities		6
Consolidated statement of changes in equity		7
Consolidated statement of cash flows		8
Notes to the Consolidated Financial Statements		
1.	Summary of significant accounting policies	9–17
2.	Segment information	18
3.	Assets held for sale and discontinued operations	19
4.	Other operating income	20
5.	Other operating expenses	21
6.	Employee benefits expense	22
7.	Finance income and costs	23
8.	Income tax	24-25
9.	Property, plant and equipment	26
10.	Intangible assets	27
11.	Inventories	28
12.	Trade and other receivables	29
13.	Cash and short term deposits	30
14.	Impairment testing of goodwill	31-32
15.	Financial liabilities	33-34
16.	Trade and other payables	35
17.	Carrying amounts of financial assets and liabilities by category	36-37
18.	Fair value measurement	38
19.	Provisions	39
20.	Commitments and contingencies	40
21.	Financial risk management objectives and policies	41-42
22.	Group information	43
23.	Issued capital and reserves	44
24.	Related party transactions	45
25.	Earnings per share	46
26.	Financial leases	46
Parent company		
	Profit and loss account	47
	Balance sheet	48
	Accounting principles	49
	Notes to the Financial Statements	50-52
	Cash flow statement	53
Signatures of financial statements		54
Accounting books used		55
List of document types		55
Calculation of Key Figures		55
Statement on Corporate Governance		56

ANNUAL REPORT FOR PERIOD OF 1 Feb 2014 – 31 Jan 2015

Kotipizza Group Oyj is the parent company of the Group.

Corporate relations
Kotipizza Group Oyj (formerly Senhold 1 Oy and Frankis Group Oyj) owned 100% of Frankis Finland Oy during the financial year. Frankis Finland Oy likewise owns 100% of Kotipizza Oyj and also of Helsinki Foodstock Oy. Furthermore the Group includes the wholly-owned subsidiaries Francount Oy, Domipizza Oy and Senhold 2 Oy. Subsidiary of the Senhold 2 Oy, Kotipizza SPb LLC was liquidated in July 2014. Material changes in the ownership of the Group: Ab R. Grönblom International Oy sold its 20% ownership of Kotipizza Group Oyj's shares outstanding 10 September 2015, and 17.5% of the shares outstanding were acquired by funds operated by Sentica Partners Oy and 2.5% by Tommi Tervanen.

Operations of subsidiaries
Kotipizza Oyj operates a pizza franchise in Finland.
Helsinki Foodstock Oy is a wholesaler whose customers include the Kotipizza chain, among others.
Francount Oy's business operations were divested to Accountor Oy in December 2014. In connection of the divestment, an agreement was signed to outsource the Group's financial services management to Accountor Oy. The divested Frankcount Oy's business operations included bookkeeping and other financial services for franchisees in the Kotipizza chain, Group companies and other customers. Francount Oy will have business related commitments at least until June 2015. Project on potential further structural measures has been started.

Domipizza Oy operated in the fast food industry: its product was a pizza slice. Domipizza had no operations during the financial year.

Subsidiaries have compiled their own annual reports in accordance with FAS.

The Group's consolidated financial statements are prepared in accordance with IFRS.

The company's unsecured EUR 30 million corporate bond issue in the beginning of April 2013 was listed in NASDAQ OMX Stockholm in April 2014.

Consolidated Kotipizza Group data (1 000 EUR) :

	31 Jan 2015	31 Jan 2014	31 Jan 2013
	(12 months)	(12 months)	(13 months)
	Parent FAS	Parent FAS	Parent FAS
Turnover	862	838	795
Operating profit	-699	-298	-185
Net result (continuing operations)	-234	-190	180
Total assets of balance sheet	43,231	42,953	33,913
	(12 months)	(12 months)	(12 months)
	Group	Group	Group
		IFRS, continued operations	
Turnover	52,226	52,724	53,576
Operating profit	3,794	3,732	4,493
Net result (continuing operations)	383	-16	951
Total assets of balance sheet	52,422	51,626	48,665

	31 Jan 2015	31 Jan 2014	31 Jan 2013
Kotipizza Group Oyj data (1 000 EUR) :	Parent	Parent	Parent
Operating profit, %	negative	negative	negative
Return on equity, %	negative	negative	3.9
Equity ratio, %	9.7	10.3	13.6
Average number of employees	7	4	2
Wages and salaries	705	471	500
Number of shares	544,275,188	544,275,188	544,275,188

The company has one share class. All shares carry equal rights to dividends and the company's assets.
The shares don't have a nominal value.

	Group	Group	Group
Operating profit, %	7.3	7.1	8.4
Return on equity, %	negative	negative	16.1
Equity ratio, %	9.3	10.5	12.1
Average number of employees	33	53	52
Wages and salaries	2,265	2,209	2,986

Management and auditors of the company

The members of Kotipizza Group Oyj's Board of directors:

Johan Wentzel	Chairman of the Board
Olli Väätäinen	Member of the Board until 23 January 2015
Rabbe Grönblom	Member of the Board until 10 September 2014
Kim Hanslin	Member of the Board since 1 November 2012
Minna Nissinen	Member of the Board since 1 January 2015
Petri Parvinen	Member of the Board since 1 January 2015
Kalle Ruuskanen	Member of the Board since 1 January 2015
Mikael Autio	Member of the Board since 1 February 2015
Janne Wartiovaara	Deputy member of the Board until 10 September 2014

Tommi Tervanen has been the managing director.

Auditor	Authorised Audit firm Ernst & Young Oy
Principal auditor	Authorised Public Accountant Mikko Järventausta

Board's proposal regarding the use of earnings
The Board recommends that no dividend will be paid and the loss for the period amounting to EUR -234,367.67 is recognized in equity.

No substantial changes have occurred in the company's financial position after the end of the financial year.

The Group is reviewing possibilities to streamline its structure in the future.

Kotipizza Oyj's development and future outlook
The financial year was challenging in terms of the market conditions just like the previous year. Finnish GDP ended up to show no growth in 2014. According to the Statistics of Finland, private consumption remained on the previous year's low level and unemployment rate rose from the previous year's 8.2% to 8.6%.

Competition in the Finnish pizza and fast food market is expected to remain harsh as new companies and concepts are entering the market with force.

Nevertheless, the outlook for Kotipizza remains good. We are seeking growth especially by growing our sales per unit. We also managed to increase our top of mind awareness from 28% to 40% in 2014. The overall brand awareness of the chain is 99%, i.e. in practice everyone in Finland recognizes Kotipizza. Heavy users of pizza are preferring Kotipizza even more than before as regular purchases from Kotipizza increased from 14% to 17%.

Risks to the positive development are price pressures for raw materials and new entrepreneurs financing becoming more difficult. Should these risks materialize and prove to be long-lasting, they could result in challenges in achieving the Group's growth targets.

Helsinki Foodstock Oy's development and future outlook
Helsinki Foodstock Oy deployed a new ERP system in November 2013. During 2014, the focus was still strongly on the ERP system project and on the company's internal matters, such as the challenges due to organisational restructuring and training of personnel.

Additional working capital tied up to trade receivables and to inventories during the ERP system project was normalized during the financial year, and at the end of the financial period ratio of the net working capital to sales returned to the good historical level.

During the next financial year, profitable growth will be pursued especially from the chain customers, which account for more than 90% of the company's turnover. On the other hand, promoting retail trade brands and overall industrial sales will be under further analysis.

During 2015, increasing attention will be paid to recognizing, monitoring and reporting ethical issues and responsibility throughout the supply chain. In particular, special effort will be placed to factory visits and audits, including training.

Growth is pursued through the growth in the customer chains (Kotipizza, Subway and Rolls as a new customer). Kotipizza is focused on opening new restaurants in 2015. Growth of the Subway chain has slightly moderated from the previous year's high levels, but good growth is nevertheless expected to continue in 2015. The company's sister company Kotipizza Oyj signed with Rolls an agreement on the disposal of the '55 burger cola and fries' business operations, and as a result of this, the company's previous 55 customer account will expand to a wider Rolls customer account covering about 115 restaurants.

The risk of credit losses is expected to remain high due to the challenging market situation for restaurants and fast food restaurants. Realized credit losses amounted to EUR 36 thousand for the financial year. Other risks include tightening competition due to the market situation, challenges related to the availability of foodstuffs (in particular, seasonal products) and changes in legislation governing food industry. With regard to logistics (transport and storage), the availability of labour and changes in legislation constitute risks.

Material events subsequent to the financial year
The extraordinary general meeting resolved to change the name of the Group from Frankis Group Oyj to Kotipizza Oyj in March 2015. The company's Board of Directors also decided in March 2015 that Kotipizza Oyj's office in Vaasa will be permanently closed on 31 May 2015.

Consolidated statement of profit or loss

For the financial year ended 31 January 2015

	Note	1 Feb 2014–31 Jan 2015 000€	1 Feb 2013–31 Jan 2014 000€
Continuing operations			
Turnover	2	**52,226**	**52,724**
Other income	4	65	95
Change in inventory of raw materials and finished goods (+/–)		-239	204
Raw materials and finished goods (–)		-40,670	-40,648
Employee benefits/expenses (–)	6	-2,787	-2,687
Depreciations (–)		-463	-348
Impairments (–)	10	-15	-11
Goodwill impairment (–)	14	0	0
Contingent consideration (-)	14	0	-665
Other operating expenses (–)	5	-4,323	-4,932
Operating profit		**3,794**	**3,732**
Finance income	7	35	71
Finance costs	7	-3,265	-3,557
Loss / profit before taxes from continuing operations		**564**	**246**
Income taxes	8	-181	-262
Loss / profit for the period from continuing operations		**383**	**-16**
Discontinued operations			
Loss after tax for the period from discontinued operations	3	-918	-507
Loss / profit for the year		**-535**	**-523**
Earnings per share EUR:			
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	25	-0.0010 #	-0.0010
Earnings per share EUR for continuing operations:			
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	25	0.0007	0.0000

Consolidated statement of other comprehensive income

For the financial year ended 31 January 2015

	1 Feb 2014–31 Jan 2015	1 Feb 2013–31 Jan 2014
	000€	000€
Profit (loss) for the period	-535	-523
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	-9	9
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-9	9
Other comprehensive income for the period, net of tax	-9	9
Total comprehensive income for the period, net of tax	-544	-514

Consolidated statement of financial position

As at 31 January 2015

		31 Jan 2015	31 Jan 2014
Assets	**Note**	**000€**	**000€**
Non-current assets			
Property, plant and equipment	9	808	577
Goodwill	10	35,819	36,240
Intangible assets	10	1,229	785
Non-current financial assets	17	2	2
Non-current receivables	17	574	529
Deferred tax assets	8	90	137
		38,522	**38,270**
Current assets			
Inventories	11	2,938	3,282
Trade and other receivables	12.17	5,449	6,566
Current tax receivables		230	253
Prepayments		0	0
Cash and cash equivalents	13.17	5,201	3,255
		13,818	**13,356**
Assets classified as held for sale	3	**82**	**0**
Total assets		**52,422**	**51,626**

Consolidated statement of financial position

As at 31 January 2015

Equity and liabilities	Note	31 Jan 2015 000€	31 Jan 2014 000€
Issued capital	23	80	80
Translation differences		0	16
Fund for invested unrestricted equity	23	5,362	5,362
Retained earnings		-579	-55
Total equity		**4,863**	**5,403**
Non-current liabilities			
Interest bearing loans and borrowings	15, 17	35,860	35,518
Financial liabilities at fair value through profit or loss	15, 17,18	179	273
Other non-current liabilities	17	3,850	3,390
Deferred tax liabilities	8	85	114
		39,974	**39,295**
Current liabilities			
Interest bearing loans and borrowings	15, 17	183	121
Trade and other payables	16	7,307	6,754
Provisions	19	0	31
Current tax liabilities		10	22
		7,500	**6,928**
Liabilities related to assets held for sale	3	**85**	**0**
Total liabilities		**47,559**	**46,223**
Total shareholders' equity and liabilities		**52,422**	**51,626**

Consolidated statement of changes in equity

For the financial year ended 31 January 2015

EUR thousand	Note	Issued capital	Fund for invested unrestricted equity	Retained earnings	Foreign currency translation reserve	Total equity
		Attributable to the equity holders of the parent				
As at 1 February 2014	23	80	5,362	-55	16	5,403
Profit for the period		0	0	-535	0	-535
Other comprehensive income		0	0	0	-9	-9
Total comprehensive income		0	0	-535	-9	-544
Issue of share capital		0	0	0	0	0
Other		0	0	11	-7	4
Dividends		0	0	0	0	0
At 31 January 2015		**80**	**5,362**	**-579**	**0**	**4,863**

For the financial year ended 31 January 2014

EUR thousand	Note	Issued capital	Fund for invested unrestricted equity	Retained earnings	Foreign currency translation reserve	Total equity
		Attributable to the equity holders of the parent				
At 1 February 2013	23	2	5,440	454	5	5,901
Profit for the period		0	0	-523	0	-523
Other comprehensive income		0	0	0	9	9
Total comprehensive income		0	0	-523	9	-514
Dividends		78	-78	0	0	0
Other		0	0	14	2	16
At 31 January 2014		0	0	0	0	0
		80	**5,362**	**-55**	**16**	**5,403**

Consolidated statement of cash flows

For the financial year ended 31 January 2014

	Note	2015	2014
Operating activities		**000€**	**000€**
Profit before tax		564	246
Loss for discontinued operations		-1039	-617
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment		190	184
Depreciation and impairment of intangible assets		288	218
Depreciation and impairment related to discontinued operations		478	0
Contingent considerations		0	665
Gain on disposal of property, plant and equipment		0	0
Finance income		-35	-71
Finance costs		3265	3557
Change in working capital:			
Change in trade and other receivables (+/–)		835	-1427
Change in inventories (+/–)		325	-199
Change in trade and other payables (+/–)		728	10
Change in provisions (+/–)		-31	16
Interest paid (–)		-2640	-3690
Interest received		35	71
Income taxes paid (–)		-30	-328
Net cash flows from operating activities		**2933**	**-1365**
Investing activities			
Acquisition of subsidiaries		0	-625
Investments for tangible assets (–)		-592	-363
Investments for non-tangible assets (–)		-638	-529
Repayment for loan assets		0	0
Proceeds from sale of assets-held-for-sale		0	4
Sale of property, plant and equipment		146	113
Net cash flows used in investing activities		**-1084**	**-1400**
Financing activities			
Loans withdrawal		0	30220
Loans repayments (–)		0	-27073
Finance lease payments (+/ –)		97	48
Net cash flow from / (used in) financing activities		**97**	**3195**
		1946	430
Net change in cash and cash equivalents		1946	430
Cash and cash equivalents at 1 February		3255	2825
Cash and cash equivalents at 31 January	13	**5201**	**3255**

Notes to the consolidated financial statements

1. Corporate information
The consolidated financial statements of the Kotipizza Group Oyj and its subsidiaries (collectively, the "Group") for the financial year ended 31 January 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 27 May 2015. Kotipizza Group Oyj is domiciled in Finland. The address of the registered office is Hermannin Rantatie 8, 00850 Helsinki. This is also the visiting address. The general meeting of the shareholders is entitled to change the financial statements.

The Group is principally engaged in the franchising, wholesale and financial management service businesses (see Note 2). Information on the Group's structure is provided in Note 22. Information on the Group's other related party relationships is provided in Note 24.

2.1 Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

These financial statements for the financial year ended 31 January 2015 are the second the Group has prepared in accordance with IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale (AFS) financial assets and contingent considerations that have been measured at fair value. The consolidated financial statements are presented in EUR and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

2.2. Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 January 2015. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group no more controls the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Summary of significant accounting policies

a) Goodwill and contingent considerations

When the Group acquires a business, it assigns the acquired financial assets and liabilities for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost. The difference between a subsidiary's acquisition cost and the equity portion corresponding the acquired ownership share is recorded as consolidated goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment as compared to the situation at the end of the financial year.

Any contingent consideration is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS standard. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on the classification to current/non-current items.

An asset is current when it is:
- Expected to be realised within 12 months after the reporting period
The Group classifies all other assets as non-current.

A liability is current when:
- It is due to be settled within 12 months after the reporting period
The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Foreign currencies

The Group's consolidated financial statements are presented in EUR, which is also the parent company's functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at the spot rate of their respective functional currency at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of the functional currency prevailing at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured to the historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Group companies
The assets and liabilities of foreign operations are translated into EUR at the exchange rate prevailing at the reporting date, and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

d) Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 18.

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or to transfer the liability takes place either:
- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability
The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, as described below, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for fair value measurement.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by comparing the information in the valuation calculations to agreements and other relevant documents.

The management also compares the changes in the fair value of each asset and liability to relevant external sources to determine whether the change is reasonable.

external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics and risks of assets or liabilities and the level of the fair value hierarchy as explained above.

e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services
Revenue from rendering of services is recognised in the accounting periods in which the services are rendered. Royalties from franchisees will be charged each month, based on monthly sales, and recognized in revenues for the month concerned.

Interest income
The Group's intents income is mainly related to interest income from trade receivables or bank deposits. Interest income is included in finance income in the statement of profit or loss.

Dividends
Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

f) Government grants

Government grants are related to training of franchisees. Government grants are included in other operating income.

g) Taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The amount of tax is calculated using the tax rate effective at the reporting date.

Deferred tax
Deferred tax is measured using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, for the carry forward of unused tax credits and for any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are confirmed at the reporting date.

Deferred tax assets and liabilities are presented as separate line items in non-current assets and liabilities. They are not offset from each other.

h) Discontinued operations and assets held for sale, and assets related to them

The Group classifies an operation or unit as discontinued or available for sale when the decision of the discontinuation or transfer has been made.

Assets and liabilities related to discontinued operations are presented in a separate group in the statement of financial position.

A disposal group qualifies as discontinued operation if:
- it is a component of the Group that is a separate CGU
- it is classified as held for sale or already disposed in such a way, or
- it is a major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations, and they are presented as a single amount of profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional information is provided in Note 4. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

i) Property, plant and equipment

Property, plant and equipment is measured at cost, net of accumulated depreciation and impairment losses, if any. Property, plant and equipment only includes the cost of products that still have useful life remaining. All repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation periods are:

- Intangible assets	5-10 years
- Expenses with long-term effects	4-10 years
- Buildings and constructions	5-10 years
- Machinery and equipment	3-5 years

j) Leases

The Group has both lease agreements classified as financial leases and other lease agreements. Other lease agreements are presented in the profit and loss according to their nature, terms and conditions and contract period. Financial lease agreements are presented in the consolidated statement of financial position, and they include agreements where the Group is a lessor with a buy-back obligation. The figures for the comparison year have been adjusted. For the comparison year, sales and acquisitions of assets covered with a buy-back obligation were reversed in the amount of EUR 291 thousand. Correspondingly, the lease receivables and financial liabilities in the consolidated statement of financial position were increased by EUR 385 thousand. These adjustments did not affect the profit or loss, or equity.

k) Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are considered as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation periods are 5-10 years. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and they are recognised in the statement of profit or loss when the asset is derecognised.

l) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Subsequent measurement
For purposes of subsequent measurement financial assets are classified in the following categories:
- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

Financial assets measured at fair value through profit or loss
Financial assets measured at fair value through profit or loss include financial assets held for trading. Derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as financeialcosts (negative net changes in fair value) or financial income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables
This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Any losses arising from impairment are recognised in the statement of profit or loss in financial costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, see Note 12.

Available-for-sale (AFS) financial assets

AFS financial assets include shares not listed in a stock exchange. They are measured at fair value, or when the fair value cannot be determined reliably, at cost

Changes in the fair value are recognised in OCI items and presented in the in the valuation reserve included in the *"Other reserves"* line item of shareholder's equity taking into account tax effects.

Derecognition
A financial asset is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

m) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

n) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities measured at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interens rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process

the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, see Note 15.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

o) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Fair value hedges
The Group did not apply fair value hedging during the financial years ended 31 January 2014 and 2015.

Cash flow hedges
The Group did not apply cash flow hedging during the financial years ended 31 January 2014 and 2015.

o) Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis
- Finished goods and work in progress: cost of direct materials and services and a proportion of fixed production overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

q) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

The following assets have specific characteristics for impairment testing:

Goodwill
Goodwill is tested for impairment annually as at 31 January and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

r) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand, bank deposits available on demand and short-term deposits with an initial maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

s) Provisions and contingent liabilities

Provisions are recognised when the Group has, as a result of a past event, an obligation (legal or constructive) to make a payment in the near future and a reliable estimate can be made of the amount of the obligation.

A contingent liability is an obligation created as a result of a past event, and its realisation will be confirmed only after occurrence of an uncertain event beyond control of the Group. An existing liability is also considered contingent, if it is improbable that the payment obligation will be realised or if the amount of the obligation cannot be estimated reliably. Contingent liabilities are presented in the Notes. The Group's most significant contingent liabilities are related to lease and bank guarantees.

t) Pensions and other post-employment benefits
The Group has only defined contribution plans. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. In defined contribution plans, the Group has no legal or contractive obligations to pay further contributions.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management's judgments related to selection of accounting principles and application of them
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Discontinued operations
The Group management initiated a plan to dispose of the Russian business on 21 January 2013. The disposal of the business was completed in July 2014. Domi pizza slice business was discontinued in the financial year 2014. The operations of the subsidiary Francount Oy and the 55 burger concept operating under Kotipizza Oy were divested in January 2015. The results of Francount Oy and Kotipizza Oy's burger55 concept are also presented as discontinued operations. See Note 2 for further details.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.

Standards issued but not yet effective

IASB has issued new and updated standards and interpretations. The Group adopts them as they become effective, or if the effective date differs from the reporting date, starting from the first financial year after the effective date. The Group does not expect that the new or updated standards have a significant effect on the Group's financial results, comprehensive income or the presentation of the financial statements.

Notes to the consolidated financial statements

Note 2. Segment information

For management purposes, the Group is organised into five operating segments based on the products and services as follows:
- Franchising segment, which provides services to entrepreneurs under the Group's franchises
- Kotipizza segment, which operates the group-owned Kotipizza restaurants
- Wholesale segment, which operates as a wholesaler to the Group's other business units and third parties
- Financial management services segment, which provides accounting and tax related services to the franchise entrepreneurs, the Group companies and third party customers. Financial management services segment has been transferred to discontinued operations due to corporate transaction made in January 2015.
- Business administration segment, which provides administrative services to the Group companies

All segments are organised as separate legal entities responsible for their own business and financial reporting. Transfer pricing between the segments is on market price bases.

Operating segments 2015	External revenues	Internal revenues	Total	EBITDA
Franchising	10,777	1,906	12,683	4393
Kotipizza	1,474	0	1,474	-241
Wholesale	39,954	713	40,667	793
Financial management services *)	0	0	0	0
Business administration	21	841	862	-675
Eliminations	0	-3,460	-3,460	2
Total	**52,226**	**0**	**52,226**	**4272**

Operating segments 2014	External revenues	Internal revenues	Total	EBITDA
Franchising	11,119	1,504	12,623	4615
Kotipizza	2,575		2,575	-530
Wholesale	39,027	1,301	40,328	870
Financial management services	0	0	0	0
Business administration	1	837	838	-200
Eliminations		-3,640	-3,640	1
Total	**52,722**	**2**	**52,724**	**4756**

Contingent considerations and goodwill impairments have not been included in segment EBITDA.

Assets and liabilities of operating segments are not regularly reported to chief operating decision maker, and therefore, this information is not disclosed.

At the end of financial year ended 31 January 2015, the Group had business operations geographically only in Finland.

*) Operations of the financial management services segment was divested in January 2015.
At the end of the financial year ended 31 January 2015, the Group had only 4 reporting segments.
Financial management services segment has been transferred to discontinued operations also for the comparison year's figures.

Result	**2015**	**2014**
Result of the reporting segments	562	910
Elimination of the transactions between the segments	2	1
Items not allocated to segments	0	-665
Result of the Group before taxes, continuing operations	564	246

Notes to the consolidated financial statements

Note 3. Assets held for sale and discontinued operations

The assets held for sale and discontinued operations relate to Russian operations, Domi-pizzapalat, sale of Franchising segment's 55 burger concept and divestment of the Financial management services segment. Selling price of the both divested businesses, Financial management services and 55 burger concept, was 1 euro.

Liquidation of the Russian company was completed 29 July 2014. The transfer of the 55 burger concept and the termination and rearrangement of the Financial management services segment were ongoing at the reporting date.

	2015	2014
	000€	**000€**
Turnover	824	912
Other income	16	1
Depreciation	-57	-38
Expenses	-1240	-1462
EBIT	**-457**	**-587**
Finance costs	-8	-30
Capital loss related to discontinued operations	-574	0
Profit/(loss) for the year from a discontinued operation before tax	-1039	-617
Tax impact	121	110
Profit/(loss) for the year from a discontinued operation	**-918**	**-507**
Earnings per share EUR for discontinued operations:		
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	-0.0019	-0.0011

The major classes of assets and liabilities related to discontinued operations:

	2015	2014
Assets	**000€**	**000€**
Intangible assets (Note 10)	0	0
Property, plant and equipment (Note 19)	0	0
Inventories	19	0
Accounts receivable and other receivables	63	0
Assets related to discontinued operations	**82**	**0**
Liabilities		
Received collaterals	15	
Other liabilities	11	0
Accrued expenses	59	
Liabilities related to discontinued operations	**85**	**0**

Cash flows related to discontinued operations are not reported separately, and due to this, the information cannot be accurately reported.

Notes to the consolidated financial statements

Note 5. Other operating income

	2015	2014
	000€	000€
Net gain on disposal of property, plant and equipment	26	27
Other income	21	30
Government grants	5	12
Collateral compensations	13	26
Total	**65**	**95**

Government grants have been received for training of Kotipizza franchisees.
Other income includes rental income from equipments and contractual charges.

Notes to the consolidated financial statements

Note 5. 5. Other operating expenses

	2015	2014
	000€	000€
Rental expenses	347	553
External services	1,303	1,940
Other expense items	2,673	2,439
Total other operating expenses	**4,323**	**4,932**

Auditor's fee

	2015	2014
	000€	000€
Auditing	65	25
Other services	42	35
Total	**107**	**60**

Research and development costs

The research and development expenses amounted to EUR 229 thousand (in 2014 EUR 135 thousand). The research and development expenses relate to training of Kotipizza entrepreneurs as well as development of new product recipes. A comprehensive concept renewal was started in financial year 2015 and related costs have been either activated to the balance sheet or recognized as costs.

Notes to the consolidated financial statements

Note 6. Employee benefits expense

Included in cost of administrative expenses:

	2015	2014
	000€	000€
Wages and salaries	2,265	2,209
Social security costs	103	64
Pension costs (defined contribution plans)	419	414
Total employee benefits expense	**2,787**	**2,687**

Notes to the consolidated financial statements

Note 7. Finance income and costs

	2015	2014
	000€	000€
Interest income on a receivables	20	43
Interest income from available-for-sale investments	1	1
Other financial income on a contingent liabilities	16	16
Other financial income	-2	11
Total finance income	**35**	**71**

	2015	2014
	000€	000€
Interest on debts and borrowings	2,812	3,136
Finance charges payable under finance leases	9	5
Total interest expense	**2,821**	**3,141**
Other financial costs	66	58
Transaction costs of bond issue	345	262
Net loss on financial instruments at fair value through profit or loss	33	96
Total finance costs	**3,265**	**3,557**

Net loss on financial instruments at fair value through profit or loss relates to interest rate swap contracts that did not qualify for hedge accounting.

Notes to the consolidated financial statements

Note 8. Income tax

The major components of income tax expense for the financial years ended 31 January 2015 and 2014 are:

Consolidated statement of profit or loss	2015	2014
	000€	000€
Current income tax:		
Current income tax charge	163	140
Deferred tax:		
Relating to origination and reversal of temporary differences	18	122
Income tax expense reported in the statement of profit or loss	181	262

Consolidated statement of comprehensive income
Deferred tax has not been recognised on translation differences.

Reconciliation of tax expense and the accounting profit multiplied by Finland's domestic tax rate for 2015:

	2015	2014
	000€	000€
Accounting profit before tax from continuing operations	564	246
Accounting profit before tax from discontinued operations	-1039	-617
Accounting profit before income tax	-475	-371
At Finland's statutory income tax rate of 20% (2014: 20%)	-95	-74
Non-deductible expenses for tax purposes:		
Capital loss on goodwill	84	0
Contingent considerations	0	135
Other non-deductible expenses	43	81
Other	0	10
Taxes from previous periods	28	0
At the negative effective income tax rate in 2015 (2014 negat.)	60	152
Income tax expense reported on continuing operations	181	262
Income tax effect reported on discontinued operations	-121	-110
	60	152

Deferred tax
Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of financial position	
	2015	2014	2015	2014
	000€	000€	000€	000€
Accelerated depreciation for tax purposes	-55	-46	9	5
Undeductible provision	31	68	37	-33
Fair valuation of derivates	36	56	19	56
Tax losses	8		-8	
Capitalized transaction costs	-29	-105	-75	105
Intangible assets	14	50	36	-11
Net deferred tax	**5**	**23**	**18**	**122**

Reflected in the statement of financial position as follows		
Deferred tax assets	90	137
Deferred tax liabilities - continuing operations	-85	-114
Deferred tax assets, net	**5**	**23**

Reconciliation of deferred tax assets, net	**2015**	**2014**
	000€	**000€**
Opening balance	**23**	**145**
Tax income/(expense) during the period	-18	-122
Closing balance as at 31 January	**5**	**23**

There are no income tax consequences attached to the payment of dividends by the Group to its shareholders.

Notes to the consolidated financial statements

Note 9. Property, plant and equipment

	Property	Plant and equipment	Total
	000€	000€	000€
Cost			
At 1 January 2013	271	1,510	1,781
Additions	0	363	363
Disposals	0	-113	-113
Discontinued operations (Note 4)		0	0
At 31 January 2014	**271**	**1,760**	**2,031**
Additions	0	592	592
Disposals	0	-179	-179
Discontinued operations	0	0	0
At 31 January 2015	**271**	**2,173**	**2,444**
Depreciation and impairment			
At 1 January 2013	-243	-1,053	-1,296
Depreciation charge for the year	-13	-155	-168
Disposals	0	24	24
Discontinued operations (Note 3)	0	-14	-14
At 31 January 2014	**-256**	**-1,198**	**-1,454**
Depreciation charge for the year	-6	-183	-189
Disposals	0	24	24
Discontinued operations (Note 3)	0	-17	-17
At 31 January 2015	**-262**	**-1,374**	**-1,636**
Net book value			
At 31 January 2015	9	799	808
At 31 January 2014	15	562	577
At 1 January 2013	28	457	485

Discontinued operations of the comparison year relate to the disposal of Russian operations. The Group management initiated a plan to dispose of the Russian business on 21 January 2014 and the disposal was completed on 29 July 2014.

Discontinued operations of the current year relate to divestment of Francount and 55 burger concept business operations. Both of the business operations were divested in January 2015. Comparison figures has also been revised accordingly.

Notes to the consolidated financial statements

Note 10. Intangible assets

	Goodwill	Intangible rights	Other long-term expenses	Total
	000€	000€	000€	000€
Cost				
At 1 January 2013	36,263	322	1,499	38,084
Additions	0	0	392	392
At 31 January 2014	**36,263**	**322**	**1,891**	38,476
Additions	0	7	899	906
Reduction/disposals	0	-133	-205	-338
Goodwill impairment	0	0	0	0
At 31 January 2015	**36,263**	**196**	**2,585**	**39,044**
Amortisation and impairment				
At 1 January 2013	-24	-157	-1,056	-1,237
Amortisation	0	-17	-162	-179
Discontinued operations (Note 3)	1	0	-25	-24
Impairment		0	-11	-11
At 31 January 2014	**-23**	**-174**	**-1,254**	**-1,451**
Amortisation	0	-15	-258	-273
Disposals	0	30	174	204
Discontinued operations (Note 3)	-421	-12	-28	-461
Impairment	0	0	-15	-15
At 31 January 2015	**-444**	**-171**	**-1,381**	**-1,996**
Net book value				
At 31 January 2015	35,819	25	1,204	37,048
At 31 January 2014	36,240	148	637	37,025
At 1 January 2013	36,240	165	443	36,848

Intangible rights include license fees and other intangible rights. Other long-term expenses include the leasehold improvements, software and other long-term expenses.

The impairment of other long-term expenses in 2014 and 2015 relates to a capitalised IT system that the Group has decided not to take into use.

Notes to the consolidated financial statements

Note 11. Inventories

	2015	2014	2013
	000€	000€	000€
Raw materials (at cost)	2,562	2,555	2,188
Work in process (at cost)	179	409	640
Finished goods (at cost or net realisable value)	197	318	255
Total inventories at the lower of cost and net realisable value	**2,938**	**3,282**	**3,083**

The write-downs of inventory amounted to EUR 85 thousand in 2015 and to EUR 118 thousand in 2014. The write-downs are included in the change in inventories in the statement of profit or loss.

Notes to the consolidated financial statements

Note 12. Trade and other receivables

	2015	2014	2013
	000€	000€	000€
Trade receivables	4,446	5,142	4,068
Trade receivables from other related parties	19	41	15
Other receivables	984	1,383	1,056
	5,449	6,566	5,139

Trade receivables from other related parties are normal trade receivables.
Trade receivables are non-interest bearing and are generally on terms of 7 to 30 days.

Other receivables include pledged bank accounts (for collateral requirements). These amounts were EUR 601 thousand at January 2015 (2014 : EUR 764 thousands).

As at 31 January 2015, trade receivables with an initial value of EUR 157 thousand (2014: EUR 307 thousand) were impaired and fully provided for. See below for the changes in the provision for impairment of receivables.

	Individually impaired
31 January 2013	263
Change for the year	44
31 January 2014	**307**
Change for the year	-150
31 January 2015	**157**

As at 31 January, the ageing analysis of trade receivables is as follows:

	2015	2014	2013
	000€	000€	000€
Neither past due nor impaired	3,502	3,505	2,775
Past due but not impaired			
< 30 days	320	823	622
> 30 days	643	855	686
Total	**4,465**	**5,183**	**4,083**

The non-current receivables include those trade receivables that fall due for payment after more than 12 months from the reporting date. Such receivables amounted to EUR 228 thousand as at 31 January 2015.
For the previous year, all trade receivables were included in current receivables.

See Note 21 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Notes to the consolidated financial statements

Note 13. Cash and short term deposits

	2015	2014	2013
	000€	000€	000€
Cash at banks and on hand	5,201	3,255	2,825
	5,201	**3,255**	**2,825**

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group does not have any short-term deposits.

The Group has pledged a part of its bank account deposits to fulfil collateral requirements.
These bank accounts are shown in other receivables, not in cash at banks and on hand.
Refer to Note 13 for further details.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at 31 January:

	2015	2014	2013
	000€	000€	000€
Cash at banks and on hand	5,201	3,255	2,825
Cash and cash equivalents	**5,201**	**3,255**	**2,825**

Notes to the consolidated financial statements

Note 14. Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the three CGUs below, which are also operating and reportable segments, for impairment testing:

- Franchising CGU
- Wholesale CGU
- Financial management services CGU

Carrying amount of goodwill allocated to each of the CGUs:

	2015	2014
	000€	000€
Franchising CGU	29,419	29,419
Wholesale CGU	6,400	6,400
Financial management services CGU	0	421
Total	35,819	36,240

The Group performed its annual impairment test in January 2015 and 2014.
The recoverable amount of each CGU were determined from the value in use.

Franchising CGU
The recoverable amount of the Franchising CGU, EUR 60.132 thousand as at 31 January 2015, was determined based on the value used in cash flow projections for financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections was 8.46% (2014: 9%) and cash flows beyond the five-year period were extrapolated using a growth rate of 1% (2014: 1%) which is assessed not to exceed the long-term average growth rate for the franchising industry. The decrease in the discount rate as compared to the previous year resulted from updating the interest rate of the Finnish 10-year government bonds and the CGU's equity to net debt ratio to correspond the situation at the end of the financial year 2015, as these values are used for calculating the discount rate. The additional purchase price paid in the financial year 2014 (EUR 665 thousands) was recognized as contingent consideration through profit or loss.

Wholesale CGU
The recoverable amount of the Wholesale CGU, EUR 14.158 thousand as at 31 January 2015, was determined based on the value used in cash flow projections for financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections was 8.62% (2014: 9%) and cash flows beyond the five-year period were extrapolated using a growth rate of 1% (2014: 1%) which is assessed not to exceed the long-term average growth rate for the wholesale industry. The decrease in the discount rate as compared to the previous year resulted from updating the interest rate of the Finnish 10-year government bonds and the CGU's equity to net debt ratio to correspond the situation at the end of the financial year 2015, as these values are used for calculating the discount rate.

Financial management services CGU
The operations of the financial management services CGU were sold to Accountor Oy in December 2014. The sold operations included accounting services and other financial management services provided to the franchisees in the Kotipizza chain, to the Group companies and to other clients. The goodwill of EUR 421 thousand related to the operations of the Financial management services CGU was offset against the sales price. The CGU has minor obligations related to its operations until at least June 2015.

Key assumptions used in value in use calculations
The calculation of value in use for the cash generating units is most sensitive to the following assumptions:

- EBITDA margin
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margins - EBITDA margins are based on levels achieved in the years preceding the beginning of the budget period. These are adjusted for anticipated volume and efficiency impacts.

Discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual risk factors.

Growth rate estimates - Rates are based on moderate assumptions

Sensitivity to changes in assumptions
The following changes in key assumptions would lead to impairment charges:

	Decrease in EBITDA margin (% points)	Increase in discount rate (% points)
Franchising CGU	15	7.1
Wholesale CGU	1	5.8

Notes to the consolidated financial statements

Note 15. Financial liabilities

Interest-bearing loans and borrowings

	Effective interest rate	Maturity	2015	2014	2013
	%		000€	000€	000€
Current interest-bearing loans and borrowings					
Bank loan	floating	12 months	0	0	600
Bank loan	floating	12 months	0	0	1,400
Other current loans					
Bank credit facility	1 week Euribor + 1,25 margin	under 12 months	0	0	52
Car instalment credits		12 months	183	121	95
Total current interest-bearing loans and borrowings			**183**	**121**	**2,147**
Non-current interest-bearing loans and borrowings					
Bond issue	9.024	3 Apr 2016	29,783	29,476	0
Bank loan	floating	30 Sep 2016	0	0	6,800
Bank loan	floating	30 Sep 2016	0	0	4,200
Loans from financial institutions	13.50	30 Sep 2016	0	0	5,486
Other non-current loans					
Car instalment credits		over 12 months	191	156	135
Loans from the group companies	12,00	30 Sep 2016	0	0	6,208
Loans from the associated companies	12,00	30 Sep 2016	0	0	1,706
Loans from the associated companies	7,00	30 Sep 2016			5,886
Loans from the minority shareholders	12,00	30 Sep 2016	0	0	621
Loans from the group companies	7,00	1 Dec 2017	5,886	2,943	0
Loans from the other related parties	7,00	1 Dec 2017	0	2,943	0
Total non-current interest-bearing loans and borrowings			**35,860**	**35,518**	**31,042**
Total interest-bearing loans and borrowings			**36,043**	**35,639**	**33,189**

Bond

The bond is unsecured. Its interest period is 6 months with a nominal interest of 8%. The effective interest rate of the bond is 9.024%. The bond will be listed in NASDAQ OMX Stockholm in April 2014. The terms and conditions of the unsecured bond include the following covenants that are tested quarterly: 1) Net Interest Bearing Debt to EBITDA (as defined in the bond's terms and conditions) may not be above 5.5:1 and 2) interest coverage ratio(as defined in the bond's terms and conditions) must be above 1.75:1 and 3) cash (as defined in the bond's terms and conditions) must be above EUR 2 million.

Other loans

Loans from group companies and related parties are unsecured and subordinated to other loans. The loans carry fixed interest of 7%. Accrued interests are paid at the maturity of the loans.

The Group has no unused loan commitments.

Other financial liabilities

	2015	2014	2013
	000€	**000€**	**000€**
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Interest rate swap contracts	179	273	329
Total financial liabilities at fair value through profit or loss	**179**	**273**	**329**
Total other financial liabilities	**179**	**273**	**329**

Other financial liabilities include an interest rate derivative contract that is not designated as hedging instrument. The contract with the nominal amount of EUR 5.9 million will expire in September 2016.

Notes to the consolidated financial statements

Note 16. Trade and other payables

	2015	2014	2013
	000€	000€	000€
Trade payables	4,899	3,912	3,967
Other payables	2,368	2,801	2,348
Interest payable	0	0	983
Payables to related parties	40	41	0
	7,307	**6,754**	**7,298**

Terms and conditions of the above financial liabilities:
-Trade payables are non-interest bearing and are normally settled on 30-day terms
-Other payables are non-interest bearing and have an average term of six months
-Interest payable is capitalized after 12 months interest-bearing.

Payables to related parties are contingent considerations for acquisitions of subsidiaries. These liabilities will be settled within one year.

Notes to the consolidated financial statements

Note 17.

Carrying amounts of financial assets and liabilities by category

Values on 31 January 2015

Balance sheet item, EUR 1,000	Note	Financial assets/ liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Non-current receivables			574			574	574
Non-current financial assets				2		2	2
Current financial assets							
Trade and other receivables	12		5,449	63		5,512	5,512
Cash and cash equivalents	13		5,201			5,201	5,201
Carrying amount by category		**0**	**11,224**	**65**	**0**	**11,289**	**11,289**
Non-current financial liabilities							
Interest-bearing liabilities	15				35,860	35,860	35,915
Derivative financial instruments	18	179				179	179
Other non-current liabilities				15	3,850	3,865	3,865
Current financial liabilities							
Interest-bearing liabilities	15				183	183	183
Trade and other payables	16			70	7,307	7,377	7,377
Carrying amount by category		**179**	**0**	**85**	**47,200**	**47,464**	**47,519**

Values on 31 January 2014

Balance sheet item, EUR 1,000	Note	Financial assets/ liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Non-current receivables			529			529	529
Non-current financial assets				2		2	2
Current financial assets							
Trade and other receivables	12		6,566			6,566	6,566
Cash and cash equivalents	13		3,255			3,255	3,255
Carrying amount by category		**0**	**10,350**	**2**	**0**	**10,352**	**10,352**
Non-current financial liabilities							
Interest-bearing liabilities	15				35,518	35,518	35,597
Derivative financial instruments	19	273				273	273
Other non-current liabilities					3,390	3,390	3,390
Current financial liabilities							
Interest-bearing liabilities	15				121	121	121
Trade and other payables	16				6,754	6,754	6,754
Carrying amount by category		**273**	**0**	**0**	**45,783**	**46,056**	**46,135**

For the year 2014, the non-current assets include pre-payments from intangible assets and rental receivables classified as a financial lease. For the year 2015, the non-current assets include trade receivables that will fall due for payment after more than 12 months from the reporting date, as well as rental receivables classified as a financial lease.

Other non-current liabilities comprise collateral debts, interest payables and buy-back commitments classified as financial leases.

Assets available for sales include investments to non-listed shares and the receivables related to the divested business of Francount. Current trade receivables available for sale and other receivables of EUR 63 thousand are included in the balance sheet for the year 2015 in the line item 'Assets related to divestments'.

Investments available for sale are measured at acquisition cost, as their fair value cannot be measured reliably.

Liabilities available for sale include liabilities of the divested business of Francount. They are presented in the balance sheet item Liabilities related to divestments'.

The management estimates that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
The following methods and assumptions were used to estimate the fair values:

- The fair value of financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Group enters into derivative financial instruments principally with financial institutions with investment grade credit ratings institutions. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.
- Fair values of the Group's interest-bearing borrowings are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Notes to the consolidated financial statements

Note 18. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 January 2015:

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		000€	000€	000€	000€
Assets measured at fair value:	31 January 2015				
		0	0	0	0
Liabilities measured at fair value:	31 January 2015				
Derivative financial liabilities					
Interest rate swaps		179		179	
Liabilities for which fair values are disclosed (Note 18):					
Interest-bearing loans and borrowings					
Fixed rate borrowing		35,915		35,915	

There have been no transfers between Level 1 and Level 2 during the period.

Fair value hierarchy for financial instruments measured at fair value as at 31 January 2014:

	Total	Level 1	Level 2	Level 3
Assets measured at fair value:				
	000€	000€	000€	000€
	0	0	0	0
Liabilities measured at fair value:	**Total**	**Level 1**	**Level 2**	**Level 3**
	000€	000€	000€	000€
Derivative financial liabilities				
Interest rate swaps	273		273	
Liabilities for which fair values are disclosed (Note 18):				
Interest-bearing loans and borrowings				
Fixed rate borrowing	35,597		35,597	

Notes to the consolidated financial statements

Note 19. Provisions

	Contingent liability
	000€
1 February 2014	31
Exchange differences	0
Acquisition of a subsidiary	0
Arising during the year	-31
Utilised	0
Unused provisions	0
Discount rate adjustment and input interest	0
31 January 2015	**0**
Current provisions, total	0

The provisions relate to lease contracts for empty offices. The Group had no empty premises on the reporting date.

Notes to the consolidated financial statements

Note 20. Commitments and contingencies

Operating lease commitments — Group as lessee
The Group has entered into commercial leases on premises and certain items of machinery. These leases have an average life between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at year end:

	2015	2014	2013
	000€	000€	000€
Within one year	32	35	89
After one year but no more than five years	67	37	96
More than five years	0	0	0
	99	72	185

Legal claim contingencies
A ruling in favour of the Company was issued in the legal proceeding related to the recovery claim filed by the bankruptcy estate of RG Line Oy Ab against the subsidiary Francount Oy. All legal claims were dismissed.

Secondary liabilities
The secondary liabilities are related to the franchising business.

	2015	2014
	000€	000€
Secondary liabilities	30	69

Guarantees which are backed up by business mortgages, pledged deposits and guarantees

The Group's franchising business operated by Kotipizza Oyj, a subsidiary of the Group, involves providing rental guarantees for premises where Kotipizza Oyj is the main lessee but has subleased the premises out. Kotipizza Oyj has pledged deposits and business mortgages and the parent company Kotipizza Group Oyj has given guarantees as a counter guarantee for the rental guarantees provided.

Helsinki Foodstock Oy, a subsidiary of the Group, has bank guarantees for the goods being imported. As a counter guarantee for the bank guarantees, Helsinki Foodstock Oy has pledged business mortgages and the parent company Kotipizza Group Oyj has provided guarantees.

The parent company Kotipizza Group Oyj has leased two premises for the Group companies' own use. The lease agreements have a fixed term of 1 to 2 years on the reporting date. The agreements can be extended after that. The parent company Kotipizza Group Oyj has given guarantees for the lease obligations.

The amounts of commitments and guarantees on the reporting date:

		2015	2014
Commitments		000€	000€
	Rental guarantees	3636	3873
	Bank guarantees	920	420
	Rental commitments for premises	211	136
Guarantees			
	Pledged deposits	390	544
	Business mortgages	2500	2500
	Guarantees	640	420

Guarantees on behalf of other companies
Kotipizza Oyj, a subsidiary of the Group, has provided a guarantee on behalf on a business partner. An annual commission of 1 % of the maximum liability is charged by Kotipizza Oyj.

The amounts of guarantees on the reporting date:

	2015	2014
	000€	000€
	680	897

Notes to the consolidated financial statements

Note 21. Financial risk management

The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks.

All derivative activities for risk management purposes are carried out by persons that have the appropriate skills and experience. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 January in 2015.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the fair value of interest rate derivative instruments, as borrowing in form of bonds is at fixed rate.

The Group manages its interest rate risk by keeping its borrowings at fixed rate of interest. To manage this the Group issues fixed rate loans and enters into interest rate derivative instruments when needed. As at 31 January 2015, 100% of the Group's borrowings are at fixed rate of interest.

Interest rate sensitivity
A shift of - 0.08% in the market interest rate curve would have had a -EUR 6 thousand effect in the profit or loss as at 31 January 2015.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

As at 31 January 2015, the Group did not have any significant exposures in foreign currencies.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

Outstanding customer receivables are regularly monitored and an impairment analysis is performed at each reporting date on an individual basis for major clients. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several geographical area and receivables per customer are reasonable.

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties.

The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 January 2015 and 2014 is the carrying amounts as illustrated in Note 17.

Liquidity risk
The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 January 2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	000€	000€	000€	000€	000€	000€
Interest-bearing loans and borrowings	0	46	137	35,860	0	36,043
Contingent consideration	0	0	0	0	0	0
Other financial liabilities	0	0	797	3,865	0	4,662
Trade and other payables	0	5,717	873	0	0	6,590
Derivatives	0	32	83	67	0	182
	0	5,795	1,890	39,792	0	47,477

Year ended 31 January 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	000€	000€	000€	000€	000€	000€
Interest-bearing loans and borrowings	0	30	91	35,518	0	35,639
Contingent consideration	0	0	0	0	0	0
Other financial liabilities	0	0	798	3,390	0	4,188
Trade and other payables	0	4,909	1,069	0	0	5,978
Derivatives	0	39	104	184	0	327
	0	4,978	2,062	39,092	0	46,132

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the Bondholders Agent to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Development of the capital structure is monitored using three key ratios that are related to the terms and conditions of the Company's bond with a fixed interest rate. The Group's strategy is to maintain Net Interest Bearing Debt to EBITDA (as defined in the bond's terms and conditions) below 5.5:1, interest coverage ratio (as defined in the bond's terms and conditions) above 1.75:1, and cash (as defined in the bond's terms and conditions) at a minimum of EUR 2 million.

The Group issued a 30.000.000 EUR fixed rate Bond on 2 April 2013.
Terms and conditions are available on the Group WEB site (www.frankisgroup.com)

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 January 2014 and 2015.

Notes to the consolidated financial statements

Note 22. Group information and subsidiaries

Information about subsidiaries

The Group's consolidated financial statements include:

Name	Principal activities	Country of incorporation	% of equity 2015	2014
Frankis Finland Oy	Holding company	Finland	100%	100%
Francount Oy	Accounting services	Finland	100%	100%
Domipizza Oy	Fast food	Finland	100%	100%
Senhold 2 Oy	Holding company	Finland	100%	100%
Kotipizza Oyj	Fast food and franchising	Finland	100%	100%
Helsinki Foostock Oy	Food and beverages wholesale	Finland	100%	100%
Kotipizza SPb LLC	Fast food and franchising	Russia	100%	100%

The Russian company was liquidated on 29 July 2014. Kotipizza SPb LLC is included in the Group's figures until the liquidation date.

The ultimate control of the Group

Funds managed by Sentica Partners Oy own 90.22 % of the Group's parent company, Kotipizza Group Oyj, and thus it is controlled by them. Other owners are members of ther Board and management of the Group (9.78%).

Notes to the consolidated financial statements

Note 23. Issued equity

The figures are exact values.	Number of shares (1 000)	Share capital	Reserve for invested unrestricted equity	Total
31 January 2013	544,275	2,500	5,440,252	5,442,752
Share issue	0	77,500	-77,500	0
31 January 2014	544,275	80,000	5,362,752	5,442,752
Share issue	0	0	0	0
31 January 2015	544,275	80,000	5,362,752	5,442,752

OCI, net of tax:
The disaggregation of changes of OCI by each type of reserve in equity is shown below:

31 January 2015	Other reserves	Foreign currency translation reserve	Retained earnings	Total
	000€	000€	000€	000€
Foreign exchange translation differences	0	-9	0	-9
	0	-9	0	-9

31 January 2014	Other reserves	Foreign currency translation reserve	Retained earnings	Total
	000€	000€	000€	000€
Foreign exchange translation differences	0	9	0	9
	0	9	0	9

There has been no dividend distribution in the Group for years 2014-2015.

The company has one share class. All shares carry equal rights to dividends and assets of the company. The shares don't have nominal value.

Notes to the consolidated financial statements

Note 23. Related party transactions

Parties are considered to be related when a party has control or significant influence over the other party relating to decision-making in connection to its finances and business. The Group's related parties include the parent company, subsidiaries, members of the board of directors and management board, managing director and their family members. The key management comprises the members of the management board. The table below sets forth the total amounts of related party transactions carried out during the period. The terms and conditions of the related party transactions correspond terms and conditions applied to transactions between independent parties.

		Interest paid	Amounts owed to related parties	Purchases from related parties	Outstanding trade payables	Sales to related parties	Outstanding trade receivables
		000€	000€	000€	000€	000€	000€
Key management of the Group	2015	0	16	41	9		
	2014	110	16				
Other related parties	2015	0	84			37	6
	2014	304	3,526			37	4
Controlling entities	2015	0	7,456	152	61		
	2014	778	3,602				
Companies controlled by members	2015			316	27	290	70
of the board	2014			156	24	159	26

The transactions with related parties do not include any guarantees, securities or provisions given or received.

		Salaries	Pension expenses
		000€	000€
Management and key personnel of the Group			
	2015	1,033	186
	2014	938	169

The salaries of the Group's management and key personnel include car and telephone benefits, and there are no other benefits. No benefits are applied after service, and the Group has not paid any share-based payments. Additional compensations related to employment termination amounted EUR 40 thousand for the year ended 31 January 2015. This amount is included in the total amount above

Key management personnel have not been granted a loan, and the Group has not guaranteed loans to the management personnel.

Managing director and board members:	2015		2014	
	Salaries	Pension expenses	Salarie s	Pension expenses
	000€	000€	000€	000€
Tommi Tervanen, managing director	205	36	207	37
Johan Wentzel, chairman of the board	6	0	6	0
Rabbe Grönblom, board member until 10 September 2014	4	0	6	0
Kim Hanslin, board member	8	0	0	0
Olli Väätäinen, board member until 23 January 2015	8	0	6	0
Minna Nissinen, board member since 1 January 2015	2	0	0	0
Petri Parvinen, board member since 1 January 2015	2	0	0	0
Kalle Ruuskanen, board member since 1 January 2015	2	0	0	0
Mikael Autio, board member since 1 February 2015	0	0	0	0

Notes to the consolidated financial statements

Note 25. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2015	2014
	000€	000€
Profit attributable to ordinary equity holders of the parent		
Continuing operations	383	-16
Discontinued operations	-918	-507
Profit attributable to ordinary equity holders of the parent for basic earnings	**-535**	**-523**
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**-535**	**-523**

	2015	2014
Weighted average number of ordinary shares for basic earnings per share	544,275,188	544,275,188
Effect of dilution: none		
Weighted average number of ordinary shares adjusted for the effect of dilution	544,275,188	544,275,188

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Note 26. Financial leases

The Group's agreements related to furniture and fixtures delivered to the franchisees, fulfil the requirements of IAS 17for financial leases. The Group's lease receivables and corresponding payments from the financing company related to these agreements amounted to EUR 344 thousand as at the reporting date (EUR 385 thousand).

Profit and loss account		1 Feb 2014–31 Jan 2015	1 Feb 2013–31 Jan 2014
		12 months	12 months
		000€	000€
Net Sales	1)	**862**	**838**
Other operating income	2)	3	13
Personnel expenses	3)	-858	-572
Depreciations and write-downs	4)	-24	-30
Other operating expenses	5)	-682	-547
Operating loss		-699	-298
Financial income and expenses	6)	-2,929	-4,172
Loss before extraordinary items		**-3,629**	**-4,470**
Extraordinary items	7)	3,433	4,302
Loss before taxes and appropriations		**-195**	**-168**
Income taxes	8)	-39	-22
Profit / loss for the period		**-234**	**-190**

BALANCE SHEET

		31 Jan 2015	31 Jan 2014
ASSETS		**000€**	**000€**
Fixed assets			
Intangible assets	9)	12	11
Tangible assets	10)	66	80
Investments	11)	30,517	30,772
Fixed assets total		**30,595**	**30,863**
Current assets			
Short-term receivables	12)	12,530	12,042
Cash at bank and on hand		106	48
Current assets total		**12,636**	**12,090**
ASSETS		**43,231**	**42,953**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholders equity	13)		
Share capital		80	80
Invested unrestricted equity fund		5,363	5,363
Profit/ loss from the previous financial period		-1,021	-831
Profit / loss from the period		-234	-190
Total Shareholder's equity		**4,188**	**4,422**
Mandatory provisions			
Long-term liabilities	14)	37,697	37,416
Short-term liabilities	15)	1,346	1,115
Total liabilities		**39,043**	**38,531**
Total equities and liabilities		**43,231**	**42,953**

Notes to the parent company financial statements

Accounting policies

The financial statements of Kotipizza Group Oyj (parent company) are prepared in accordance with Finnish GAAP. The financial statements are presented in thousands of euros unless otherwise stated.

Financial statements of the company are available at Hermannin Rantatie 8, 00580 Helsinki, Finland.

ACCOUNTING PRINCIPLES

Fixed assets and depreciation

The balance sheet value of fixed assets consist of historical costs less depreciation according to plan and other possible write-offs. Fixed assets are depreciated using straight-line depreciation based on the expected useful life of the asset. The balance value of the fixed assets consists only acquisition costs for the assets with remaining useful life.

The depreciation is based on the following expected useful lives:

Long-term expenses	5 years
Machinery and equipment	3-5 years

Pension expenses

An external pension insurance company manages the pension plan. The expenses are recognized in the income statement during the year they occur.

Foreign currency items

Receivables and liabilities denominated in foreign currencies outstanding are measured using the exchange rate quoted on the reporting date.
Exchange rate differences have been entered in the income statement.

Deferred taxes

Deferred taxes have not been recognized in the separate financial statements of the parent company.

Receivables

Non-current and current receivables are measured at nominal value less possible impairment. The part of the loan or other receivables that is determined to be impaired, is recognized in the income statement as an impairment from non-current receivables.

Comparability

The parent company's financial statements are comparable with each other.

Notes to the statement of profit or loss

		31 Jan 2015	31 Jan 2014
1.	**Turnover**	**31 Jan 2015**	**31 Jan 2014**
	Turnover by business line		
	Administrative services	749	723
	Income from premises	113	115
	Total	**862**	**838**
2.	**Other operating income**	**31 Jan 2015**	**31 Jan 2014**
	Other operating income	3	13
	Total	**3**	**13**
3.	**Personnel expenses**	**31 Jan 2015**	**31 Jan 2014**
	Salaries and wages	705	471
	Pension costs	118	83
	Other indirect employee costs	35	18
	Total	**858**	**572**
3.1.	**Average number of employees**	7	4
4.	**Depreciation and write-downs**	**31 Jan 2015**	**31 Jan 2014**
	Depreciations according to plan		
	Other long-term expenses	4	3
	Machinery and equipment	20	27
	Total	**24**	**30**
5.	**Other operating expenses**	**31 Jan 2015**	**31 Jan 2014**
	Breakdown by most significant expense items:		
	Operating leases and other property costs	147	133
	Marketing expenses	4	1
	Administrative expenses	380	293
	Machinery and equipment expenses	45	42
	Other expenses	106	78
	Total	**682**	**547**
5.1.	**Auditor's fees**	**31 Jan 2015**	**31 Jan 2014**
	Audit fees for statutory audit	41	25
	Other advisory services	32	35
	Total	**73**	**60**
6.	**Financial income and expenses**		
	Other financial income and expenses	**31 Jan 2015**	**31 Jan 2014**
	From Group companies	213	166
	From others	0	0
	Total	**213**	**166**
	Interest and other finance expenses		
	To Group companies	-292	-308
	Other	-2,594	-3,980
	Total	**-2,886**	**-4,288**
	Impairment related to receivables from Group companies	-1	-50
	Impairment related to Group's ownership shares	-255	
	Total financial income and expenses	**-2,929**	**-4,172**

		31 Jan 2015	31 Jan 2014
7.	**Extraordinary items**	**31 Jan 2015**	**31 Jan 2014**
	Group contribution received	3,666	4,515
	Group contribution paid	-233	-213
	Total extraordinary items	**3,433**	**4,302**

8.	**Income tax**	**31 Jan 2015**	**31 Jan 2014**
	Income tax for the period	-39	-22

Notes to the statement of financial position

9.	**Intangible assets**	**31 Jan 2015**	**31 Jan 2014**
	Acquisition cost as at the beginning of financial year	15	14
	Increases	4	1
	Acquisition cost as at the end of financial year	19	15
	Accumulated depreciation as at the beginning of financial ye	-4	-1
	Depreciation for the period	-3	-3
	Accumulated depreciation as at the end of financial year	-7	-4
	Balance sheet value as at 31 January	12	11
	Total intangible assets	**12**	**11**

10.	**Fixed assets**		
	Machinery and equipment	**31 Jan 2015**	**31 Jan 2014**
	Acquisition cost as at the beginning of financial year	110	110
	Increases	6	0
	Acquisition cost as at the end of financial year	116	110
	Accumulated depreciation as at the beginning of financial ye	-30	-2
	Depreciation for the period	-20	-28
	Accumulated depreciation as at the end of financial year	-50	-30
	Balance sheet value as at 31 January	66	80
	Total fixed assets	**66**	**80**

11.	**Investments**	**31 Jan 2015**	**31 Jan 2014**
	Shares		
	Acquisition cost as at the beginning of financial year	30,517	30,097
	Increases	0	675
	Acquisition cost as at 31 January	**30,517**	**30,772**

12.	**Receivables**		
	Current receivables	**31 Jan 2015**	**31 Jan 2014**
	Other receivables from Group companies	12,130	11,768
	Trade receivables from Group companies	144	31
	Trade receivables from other companies	4	0
	Receivables from other companies		
	Accrued receivables	27	18
	Other receivables	225	225
	Total current receivables	**12,530**	**12,042**
	Total receivables	**12,530**	**12,042**

13.	**Shareholders equity**	**31 Jan 2015**	**31 Jan 2014**
	Share capital as at the beginning of financial year	80	3
	Issue of share capital	0	77
	Share capital as at 31 January	**80**	**80**
	Reserve for invested unrestricted equity as at the beginning of financial year	5,363	5,440
	Decrease during the period	0	-77
	Reserve for invested unrestricted equity as at the end of financial year	**5,363**	**5,363**
	Retained earnings as at the beginning of financial year	-1,021	-831
	Profit / loss for the period	-234	-190
	Retained earnings as at 31 January	**-1,255**	**-1,021**
	Total shareholders equity	**4,188**	**4,422**

Distributable equity		
Reserve for invested unrestricted equity	5,363	5,362
Retained earnings	-1,021	-831
Profit / loss for the period	-234	-190
Total distributable equity	**4,108**	**4,341**

14\. Non-current liabilities

Non-current liabilities	31 Jan 2015	31 Jan 2014
Issued bonds	30,000	30,000
Loans from financial institutions (1-5 years)	0	0
	30,000	**30,000**
Trade payables	3	40
Liabilities to Group companies	7,456	3,602
Liabilities to other related parties	44	3,486
Other non-current liabilities	195	288
Total non-current liabilities	**37,698**	**37,416**

15\. Current liabilities

Current liabilities	**31 Jan 2015**	**31 Jan 2014**
Other current liabilities to Group companies	0	21
Current liabilities to other related companies	40	40
Loans from financial institutions	0	0
Trade payables to Group companies	15	9
Trade payables	243	106
Accrued expenses	1,002	908
Other current liabilities	46	31
Total current liabilities	**1,346**	**1,115**
Total liabilities	**39,044**	**38,531**

Breakdown of accrued expenses by most significant balance sheet items:

Personnel expenses	195	88
Tax expenses	10	22
Interest expenses	797	798
Total accrued expenses	**1,002**	**908**

Contingent liabilities	**31 Jan 2015**	**31 Jan 2014**
Contingent liabilities related to loans from financial institutio	620	420
Business mortgages for Group companies	1000	1000
Other commitments		
Lease commitments for premises (agreements with a fixed term)	211	136
Guarantees		
Lease guarantee	20	0

Interest rate derivative instruments

The parent company has entered into an interest rate swap. The swap agreement does not have an underlying asset any more. The market value of the interest rate swap was EUR -179 thousand on the reporting date. The negative market value

on the reporting date. The negative market value of the interest rate swap (i.e. the change) is presented in the income statement as a financial expense.

Cash flow statement of the parent company

For the financial year ended 31 January 2015

	2015	2014
Operating activities	**000€**	**000€**
Profit before tax	-196	-169
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	20	28
Depreciation and impairment of intangible assets	4	3
Gain on disposal of property, plant and equipment	0	0
Financial income	-213	-166
Financial costs	3,143	4,338
Change in working capital:		
Change in trade and other receivables (+/–)	-127	-258
Change in trade and other payables (+/–)	252	45
Change in provisions (+/–)	0	-48
Interest paid (–)	-2,570	-3,605
Interest received	0	0
Income tax paid (–)	-51	-97
Net cash flows from operating activities	**262**	**71**
Investing activities		
Investments in acquisitions of subsidiaries	0	-635
Investments in tangible assets (–)	-6	0
Investments in intangible assets (–)	-4	-1
Loan commitments (–)	-158	-7,901
Net cash flows used in investing activities	**-168**	**-8,537**
Financing activities		
Withdrawals of subordinated loans	0	0
Loans withdrawal	0	30,220
Loans repayments (–)	0	-21,674
Financial lease payments (–)	-36	-32
Net cash flow from financing activities	**-36**	**8,514**
	58	48
Net change in cash and cash equivalents	58	48
Cash and cash equivalents at 1 February	48	0
Cash and cash equivalents at 31 January	**106**	**48**

Kotipizza Group Oyj

Toimitusjohtajan ja hallituksen jäsenten allekirjoitukset:

3 .kesäkuuta 2015

Johan Wentzel
Hallituksen puheenjohtaja

Kim Väisänen
Hallituksen jäsen

Kalle Ruuskanen
Hallituksen jäsen

Minna Nissinen
Hallituksen jäsen

Petri Parvinen
Hallituksen jäsen

Mikael Autio
Hallituksen jäsen

Tommi Tervanen
Toimitusjohtaja

Suoritetusta tilintarkastuksesta on tänään annettu kertomus.

Helsinki, 3. kesäkuuta 2015

Ernst & Young Oy
KHT-yhteisö

Mikko Järventausta
KHT-tilintarkastaja

Kotipizza Group Oyj

Accounting books used from 1 February 2014 to 31 January 2015

Journal	Filed in electronic format
Nominal Ledger	Filed in electronic format
Purchases ledger	Filed in electronic format

Balance book and balance sheet specifications
Bound separately into one book

DOCUMENT TYPES USED 1 February 2014 - 31 January 2015

1	Bank statement accounting, Nordea Bank
9	Memo vouchers
45	Purchase Invoices
99	VAT documents

Calculation of Key Figures

Operating profit % = $\frac{\text{Operating profit}}{\text{Turnover}}$ * 100

Return on equity % = $\frac{\text{Net result}}{\text{Equity}}$ * 100

Equity ratio % = $\frac{\text{Equity}}{\text{Total assets}}$ * 100

Earnings per share = $\frac{\text{Loss / profit for the year}}{\text{Number of shares}}$

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Building a better working world

Auditor's report **Translation**

To the Annual General Meeting of Kotipizza Group Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Kotipizza Group Oyj (former Frankis Group Oyj) for the financial period 1.2.2014 - 31.1.2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other matters
This auditor's report, which replaces the auditor's report issued on 28 May 2015 and related to the financial statements and the report of the Board of Directors dated 27 May 2015, is issued on the restated financial statements and the report of the Board of Directors dated 3 June 2015, where the commitment and contingencies disclosures have been supplemented.

Helsinki, June 3, 2015

Ernst & Young Oy, Authorized Public Accountant Firm

Mikko Järventausta, Authorized Public Accountant

CORPORATE GOVERNANCE STATEMENT

Kotipizza Group Oyj complies with the Company's Articles of Association, the Finnish Limited Liability Companies Act and other legislation and rules applicable to the Company.

The Company's corporate governance comprises General Meeting, Board of Directors, CEO, legislation and rules applicable to the Company's operations, as well as the Company's internal practices, guidelines and policies.

DECISION-MAKING BODIES

General Meetings, the Board of Directors and the CEO are responsible for the administration and management of Kotipizza Group. Their duties are mainly defined in the Finnish Limited Liability Companies Act.

General Meeting

General Meeting is the Company's highest decision-making body. Its duties and procedures are defined in the Finnish Limited Liability Companies Act and in the Company's Articles of Association.

Board of Directors

The Board of Directors is responsible for management of the Company and the organisation of its operations. The Board of Directors has general power and authorisation on matters not separately assigned by legislation or the Company's Articles of Association to other decision-making bodies of the Company. The Board of Directors comprises three to six members and zero or one deputy member elected by the Annual General Meeting. The Annual General Meeting appoints the Board of Directors for a term until the end of the next Annual General Meeting. The Board of Directors elects the Chairman of the Board from among its members. The Chairman of the Board is Johan Wentzel (MSc in business administration, Finnish citizen). The members of the Board are Mikael Autio (M.Sc. in business administration, Finnish citizen), Kim Hanslin,(VQBA, Finnish citizen), Kalle Ruuskanen (Bachelor of Hospitality Management, Finnish citizen), Petri Parvinen (FT, M.Sc. (Management), Finnish citizen) and Minna Nissinen (M.Sc. in business administration, Finnish citizen).

Among other tasks, the Board of Directors:

- decides on the Group's strategy and the strategies of business segments;
- decides on the Group's structure and organisation;
- reviews and approves interim reports, financial statements (also consolidated financial statements), annual reports and statements on the Company's outlook;
- approves the Group's business plan, budget and investment plan;
- decides on strategic or financially significant individual investments, business acquisitions, disposals, restructuring arrangements and loans;
- decides on the Groups remuneration and incentive plans;
- approves the Group's risk management and reporting policies;
- prepares the dividend policy and sees to the development of shareholder value; and
- carries out other tasks and duties defined in the Limited Liability Companies Act and other legislation.

The Board of Directors appoints the CEO and reviews annually the performance of the CEO and other members of the Management Board. The CEO appointed by the Board of Directors is responsible for the day-to-day administration of the Company in accordance with the Limited Liability Companies Act and the authorisations and guidelines issued by the Board of Directors. The Company's CEO is Tommi Tervanen (Finnish citizen, VQBA, born in 1970). The Board of Directors convenes 9 to 12 times a year according to a predefined schedule and at the invitation of the Chairman or at the proposal of the CEO as often as is necessary for the operations of the Company. The Company's CEO and CFO attend to the meetings of the Board of Directors.

Risk management

The Company complies in its operations the policies for risk management and internal control approved by the Board of Directors.

The Company's CEO and members of the Management Board evaluate business risks in connection to the strategy process and annual planning. The operative management of the business units, i.e. Kotipizza Oyj and Helsinki Foodstock Oy, prepare risk estimates for their own operations and present action plans for risk management, and these are compiled together. Changes in strategic and operative risks are discussed in the Management Board, and material changes are referred to the Board of Directors.

The control of accounting and financial reporting is described in the financial department's guidelines and orders, and for the outsourced accounting, in the internal guidelines and orders of the outsourcing partner Accountor Oy.

The centralised financial department of the parent company is responsible for financial risk management according to the principles approved by the Board of Directors. The Board of Directors issues guidelines for the general risk management and specific policies related to certain areas, such as interest risk, utilisation of derivatives and investment of excess liquid assets.

Monitoring of the Company's financial position

The financial department prepares for the Company's Board of Directors and management a monthly report comprising the realised monthly figures and key information for the present year as compared to the figures for the previous year, the budget and the forecast for the rest of the year, updated using the realised figures and compared to the original annual budget. The Management Board reviews the monthly figures and comments on trends and any deviations from the budget and the comparison figures for the previous year.

The members of the Management Board receive a daily report on the sales volumes of the chain restaurants.

The Company prepares for the monthly meetings of the Board of Directors a report comprising, among others, the CEO's review and discussion on the market situation, sales, business development, financial information for the present year, deviations from the budget and an updated forecast for the rest of the year as compared to the budget approved by the Board of Directors in the beginning of the year.

The Company is implementing the budgeting process and forecasting model confirmed by the Board of Directors.

The Management Board reviews the monthly results. The Company has a well-functioning monitoring process and the capability to detect any changes requiring updates to the forecasts. The Company updates the forecast once a month.

The Management Board reviews the monthly results. The Company has a well-functioning monitoring process and the capability to detect any changes requiring updates to the forecasts.