FOODCO PASTRIES SPAIN, S.L.
AND SUBSIDIARIES

Consolidated Annual Accounts and Directors' Report

31 December 2014

(With Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Sole Shareholder of
Foodco Pastries Spain, S.L.

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Foodco Pastries Spain, S.L. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' responsibility for the consolidated annual accounts

The Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they present fairly the consolidated equity, consolidated financial position and consolidated financial performance of Foodco Pastries Spain, S.L. in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

Opinion

In our opinion, the accompanying consolidated annual accounts for 2014 present fairly, in all material respects, the consolidated equity and consolidated financial position of Foodco Pastries Spain, S.L. and subsidiaries at 31 December 2014 and their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other applicable provisions of the financial reporting framework in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2014 contains such explanations as the Directors of Foodco Pastries Spain, S.L. consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2014. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Foodco Pastries Spain, S.L. and subsidiaries.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Carlos Peregrina García

13 March 2015

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	2014	2013
Property, plant and equipment (note 7)	30,015	39,311
Goodwill (note 8)	368,095	376,040
Other intangible assets (note 8)	339,451	345,714
Other financial assets (note 9)	19,862	23,888
Total non-current assets	757,423	784,953
Inventories (note 10)	9,295	13,454
Trade and other receivables (note 11)	41,743	37,830
Other current financial assets	266	370
Other current assets	2,913	3,169
Cash and cash equivalents (note 12)	44,549	8,798
Subtotal current assets	98,766	63,621
Non-current assets held for sale (note 5)	19,723	1,953
Total current assets	118,489	65,574
Total assets	875,912	850,527

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Equity and Liabilities	2014	2013
Share capital	18,000	17,779
Share premium	321,388	236,796
Accumulated gains/(losses)	24,951	(268,595)
Translation differences	(4,419)	(3,795)
Equity attributable to equity holders of the Parent and total equity (note 14)	359,920	(17,815)
Loans and borrowings (note 17 (a))	285,000	504,229
Financial liabilities at fair value (note 16)	(36)	2,329
Capital grants (note 20)	471	1,163
Deferred tax liabilities (note 13)	75,468	96,192
Provisions	237	237
Group companies (note 28)	84,825	192,924
Other non-current liabilities	4,929	3,987
Total non-current liabilities	450,894	801,061
Loans and borrowings (note 17 (b))	4,150	14,411
Financial liabilities at fair value (note 16)	2,230	14
Trade and other payables (note 21)	43,240	47,700
Group companies (note 28)	2,460	2,753
Current tax liabilities (note 26)	890	970
Provisions	1,456	857
Other current liabilities	3,552	493
Subtotal current liabilities	57,978	67,198
Liabilities directly associated with non-current assets held for sale (note 5)	7,120	83
Total current liabilities	65,098	67,281
Total equity and liabilities	875,912	850,527

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Income Statements
for the years ended
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2014	2013 (*)
Revenues (note 22 (a))	290,196	302,996
Other income (note 22 (b))	15,762	10,323
Total income	305,958	313,319
Merchandise and raw materials used (note 10)	(84,721)	(70,166)
Personnel expenses (note 23)	(92,347)	(97,682)
Amortisation and depreciation (notes 7 and 8)	(15,389)	(16,386)
Other expenses (note 24)	(88,023)	(88,676)
Results from operating activities	25,478	40,409
Finance income	3,839	7,041
Settlement of financial liabilities through the issue of equity instruments (note 14)	128,568	-
Finance costs	(69,956)	(63,320)
Other losses (note 25)	(8,796)	(44,160)
Profit/(loss) before tax from continuing operations	79,133	(60,030)
Income tax income/(expense) (note 26)	19,733	(23,745)
Profit/(loss) for the year from continuing operations	98,866	(83,775)
Post-tax loss on discontinued operations (note 5)	(8,129)	(979)
Profit/(loss) for the year	90,737	(84,754)
Profit/(loss) for the year attributable to equity holders of the Parent		
Continuing operations	98,866	(83,775)
Discontinued operations	(8,129)	(979)
	90,737	(84,754)

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2014	2013
Profit/(loss) for the year	90,737	(84,754)
Other comprehensive income:		
Items that will be reclassified to profit or loss		
Translation differences of financial statements of foreign operations	(624)	(7,754)
Total comprehensive income for the year	90,113	(92,508)
Total comprehensive income attributable to equity holders of the Parent	90,113	(92,508)

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
for the years ended
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Share capital	Share premium	Accumulated losses	Translation differences	Total equity
Balances at 31/12/2012	14,979	183,596	(183,905)	3,959	18,629
Share capital increase	2,800	53,200	-	-	56,000
Other movements	-	-	64	-	64
Profit/(loss) for the year	-	-	(84,754)	(7,754)	(92,508)
Balances at 31/12/2013	17,779	236,796	(268,595)	(3,795)	(17,815)
Share capital increase	221	84,592	(9)	-	84,804
Shareholder contributions	-	-	202,767	-	202,767
Other movements	-	-	51	-	51
Profit/(loss) for the year	-	-	90,737	(624)	90,113
Balances at 31/12/2014	18,000	321,388	24,951	(4,419)	359,920

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
for the years ended
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2014	2013
Cash flows from operating activities		
Profit/(loss) for the year before tax	79,133	(59,664)
Adjustments for:		
Amortisation and depreciation (notes 6 and 7)	15,389	17,457
(Reversal of) impairment losses (notes 6 and 7)	(1,355)	2,112
Finance income	(132,407)	(5,530)
Finance costs	69,956	61,999
Losses on disposal of property, plant and equipment and other losses (note 25)	10,151	42,264
Deferred capital grants (note 20)	(426)	(529)
Change in fair value of financial assets	(149)	-
	40,292	58,109
Change in working capital		
(Increase)/decrease in inventories	4,159	(271)
(Increase)/decrease in trade and other receivables	(3,913)	1,419
(Increase)/decrease in financial assets	104	(184)
(Increase)/decrease in other current assets	256	(3,498)
Assets held for sale and discontinued operations	(4,058)	430
Increase/(decrease) in trade and other payables	(4,460)	(7,388)
Increase/(decrease) in trade provisions	599	(77)
Increase/(decrease) in other current liabilities	3,059	(1,563)
Increase/(decrease) in non-current liabilities held for sale and discontinued operations	7,037	-
	2,783	(11,132)
Cash from operations		
Income tax paid	1,071	(3,558)
Post-tax loss on discontinued operations	(8,129)	(1,206)
	(9,200)	(4,774)
Net cash from (used in) operating activities	33,875	42,203
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	3,989	4,537
Acquisition of property, plant and equipment (note 6)	(9,819)	(12,481)
Acquisition of intangible assets (note 7)	(1,752)	(1,265)
Acquisition of goodwill (note 8)	(7,435)	(1,375)
Net cash from (used in) investing activities	(15,017)	(10,584)
Cash flows from financing activities		
Increase/decrease in other non-current financial assets	4,026	(9,661)
Increase/decrease in other non-current liabilities	676	1,511
Increase/decrease in financial debt	(166,084)	(15,355)
Interest received	3,839	834
Interest paid	(28,382)	(25,046)
Changes in reserves	51	64
Contributions	202,767	-
Net cash from (used in) financing activities	16,893	(47,653)
Increase (decrease) in cash and cash equivalents at 31 December	35,751	(16,034)

FOODCO PASTRIES SPAIN, S.L.
AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

31 December 2014

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature, Activities and Composition of the Group

Foodco Pastries Spain, S.L. (the Company) was incorporated with limited liability under Spanish law on 11 May 2005 under the name of Bahíaflora Inversiones, S.L. On 30 June 2005 the Company changed its name to the current one. The Company's registered office is located at Calle Isla Graciosa, 7, San Sebastián de los Reyes, Madrid.

The Company's statutory activity consists of the incorporation and the direct or indirect management and control of other companies; the acquisition, disposal, holding and operation of properties, vehicles of all types and eras, ceramic objects for all manner of applications and uses, minerals of all types and values, all kinds of intellectual works, such as literary, scientific, audiovisual, musical, translations, computer programs and photographs; securities in general, excluding activities attributed exclusively to other entities by special legislation and, particularly, the Securities Market Law; the negotiation and operation of patents, trademarks, licences, know-how and copyrights; brokerage in commercial, business and real estate operations not restricted by law to certain entities or professionals; and the rendering of all related services. The Company may carry out all or part of these activities indirectly through ownership of shares or interests in companies with a similar or identical statutory activity. All activities with special legal requirements which cannot be met by the Company are excluded from this activity.

The principal activity of Foodco Pastries Spain, S.L. is the holding of the interest in Tele Pizza, S.A. and the rendering of corporate and strategic management-related services on behalf of Tele Pizza, S.A.

The principal activity of its subsidiaries consists of the management and operation of fast-food sales outlets and restaurants under the brand names Telepizza and Pizza World for consumption at home and on the premises. At 31 December 2014, this activity is carried out through owned premises and franchises located mainly in Spain, Portugal, Poland, Chile, Guatemala, Colombia, Peru and Ecuador. Other activities include the production or purchase of dairy products derived from cheese and, through its factory in Daganzo (Madrid), Tele Pizza, S.A. supplies all the outlets in Spain that are directly operated by the Telepizza Group or through its franchises.

The franchise activity consists mainly of advising on the management of outlets owned by third parties that operate under the telepizza and Pizza World brand names. The Telepizza Group receives a percentage of its franchisees' sales (royalties) for these services. The Group focuses its activity on promotional and advertising activities for all the outlets operating under the aforementioned brand names in Spain.

The subsidiaries and sub-groups comprising the Foodco Group (the Group), and the percentage ownership and details of the respective shareholders' equities at 31 December 2014, are included in Appendix I attached hereto, which forms an integral part of this note. At 31 December 2014 and 2013 none of the Group companies is listed on the stock exchange. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

(Continúa)

The Company is a solely-owned subsidiary of Foodco Finance, S.à.r.l. (see note 14). Consequently, the Company is a solely-owned company, as defined by relevant legislation, and has been filed as such at the Mercantile Registry. Contracts entered into by the Company and its sole shareholder relate to one subordinated loan (see note 28).

(2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Foodco Pastries Spain, S.L. and of the consolidated companies. The consolidated annual accounts for 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to present fairly the consolidated equity and consolidated financial position of Foodco Pastries Spain, S.L. and subsidiaries at 31 December 2014 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1 “First-time adoption of International Financial Reporting Standards”.

The directors of the Parent consider that the accompanying consolidated annual accounts, authorised for issue on 5 March 2015, will be approved with no changes by the sole shareholder.

(a) Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments, which are recognised at fair value.
- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal.

(b) Judgements and relevant accounting estimates used

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group’s accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU.

A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets. Some of these assumptions changed at the start of 2009 and the Group has therefore re-estimated the useful lives of certain intangible assets, with the aid of a report drawn up by independent experts (see note 4 (e)).

- The Group tests goodwill and the brand for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets approved by management. The flows take into consideration past experience and represent management's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.

- Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, and vice versa.

- The Group capitalises the tax credits it considers likely to be offset in the foreseeable future based on business plans for each tax jurisdiction in which it operates.

- Although estimates are calculated by the Company's directors based on the best information available at 31 December 2014, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(c) Consolidated group

Pizzas del Centro S.A. de C.V. was sold during 2014 whilst Proyburgos was sold in 2013.

(d) Standards and interpretations issued but not applied

Standards and interpretations effective since 2014

The Group's accounting policies have not been modified as a result of any amendments to standards and interpretations or new standards introduced since 1 January 2014 as these changes deal with types of transaction not carried out by the Group.

Standards and interpretations issued but not applied

At the date of publication of these consolidated annual accounts, the following IFRS, amendments and IFRIC interpretations have been issued but not yet entered into force:

- Defined benefit plans: Employee contributions Effective for annual periods beginning on or after 1 July 2014. (1 February 2015 IFRS-EU)

- Improvements Project 2010-2012

  - IFRS 2 Definition of vesting, service and market conditions

  - IFRS 3 Subsequent measurement of contingent consideration

  - IFRS 8 Disclosure of judgements by management for the aggregation of operating segments, identification of aggregated segments and reconciliation of assets from the operating segments to total assets if reporting to the chief operating decision maker.

  - IFRS 13 Measurement of current receivables and payables

  - IAS 16 and 13 Methods for the recognition of the revalued amount

  - IAS 24 Disclosures on outsourcing of senior management functions to another company

  Effective for annual periods beginning on or after 1 July 2014 (1 February 2015 IFRS-EU).

- Improvements Project 2011-2013

  - IFRS 1 Definition of IFRSs applicable

  - IFRS 3 Scope of the exemption for joint ventures

  - IFRS 13 Scope of the exemption for applying portfolio measurement criteria to contracts for the purchase or sale of goods.

  - IAS 40 Clarification of the interaction between IAS 40 and IFRS 3 to identify a business

(Continúa)

Effective for annual periods beginning on or after 1 July 2014 (1 January 2015 IFRS-EU).

The Group has not early adopted any of these standards and is currently analysing the impact of applying these standards, rectifications and interpretations. Based on its analyses to date, the Group estimates that first-time application will not have a significant impact on the consolidated annual accounts.

(e) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2014 include comparative figures for 2013, which formed part of the annual accounts approved by the sole shareholder on 20 June 2014.

The balances in the consolidated income statement for 2013 have been restated in order to make them comparable with the figures for 2014 as the Group classified certain operations as discontinued operations in the consolidated income statement for 2014, as described in note 5.

(f) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the functional and presentation currency of the Parent, rounded off to the nearest thousand.

(3) Distribution of Profit of the Parent

The board of directors of the Parent will propose to the sole shareholder that the Euros 108,319,464 profit for the year ended 31 December 2014 be transferred to offset prior years' losses.

	Euros
Basis of distribution	
Profit for the year	108,319,464
Distribution	
Legal reserve	10,831,946
Prior years losses	97,487,518
	108,319,464

(4) Accounting Principles

(a) Subsidiaries

Subsidiaries are entities over which the Parent, either directly or indirectly through subsidiaries, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases.

Information on the subsidiaries included in the consolidated Group is presented in Appendix 1 to note 1.

Transactions and balances with Group companies and significant unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

(b) Business combinations

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 Business Combinations, revised in 2008, to transactions carried out on or after 1 January 2010.

The Group applies the acquisition method for business combinations.

(Continúa)

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the business acquired.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

The excess between the consideration given, plus the value assigned to any non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

The initial measurement is only adjusted when correcting errors.

The potential benefit of the acquiree’s income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as tax income provided that it does not arise from an adjustment of the measurement period.

(c) Foreign currency transactions and balances

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was recognised.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as effect of exchange rate fluctuations on cash and cash equivalents held.

(Continúa)

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

Exchange gains or losses on monetary financial assets or financial liabilities denominated in foreign currencies are also recognised in profit or loss.

Monetary financial assets denominated in foreign currencies classified as available for sale are measured at amortised cost in the foreign currency. Consequently, the exchange differences associated with changes in amortised cost are recognised in profit or loss.

Unrealised foreign exchange gains or losses relating to non-monetary assets and liabilities are recognised in conjunction with the change in fair value. Nevertheless, the currency risk component of non-monetary financial assets denominated in foreign currencies, classified as available-for-sale and as hedged items in fair value hedges of the component, are recognised in profit or loss.

Translation of foreign operations

Foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.

- Income and expenses, including comparative amounts, are translated at the exchange rates that approximate those prevailing at each transaction date.

- All resulting exchange differences are recognised as translation differences in other comprehensive income.

For presentation of the consolidated statement of cash flows, cash flows of the subsidiaries and foreign joint ventures, including comparative balances, are translated into Euros applying exchange rates that approximate those prevailing at the transaction date.

Translation differences recognised in other comprehensive income are accounted for in profit or loss as an adjustment to the gain or loss on the sale using the same criteria as for subsidiaries.

(d) Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and any accumulated impairment losses.

(Continúa)

Replacements of property, plant and equipment that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

Non-current investments in properties contracted from third parties under operating leases are measured based on the same criteria used for property, plant and equipment. Assets are depreciated over the shorter of the lease term and their useful life. The term of the lease contract is determined consistently with the classification thereof.

Property, plant and equipment are depreciated by allocating the acquisition cost less the residual value on a straight-line basis over their estimated useful lives, as follows:

Buildings	33
Technical installations and machinery	3-15
Other installations, equipment and furniture	10
Information technology equipment	4
Other	4 – 6

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates, where applicable.

The Group determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Subsequent to initial recognition of the asset, only those costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) of this note.

(e) Intangible assets

(i) Goodwill

Goodwill on business combinations reflects the excess of the cost of the business combination (see note 4 (b)) over the acquisition-date fair value of the assets acquired, liabilities and contingent liabilities assumed from the acquired business. Gains and losses on the sale of an entity include the carrying amount of goodwill from the sold entity.

(Continúa)

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. The Telepizza Group has defined each of the outlets in which it operates and the factories owned by the Group as the main CGUs. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) Intangible assets acquired in business combinations

The cost of identifiable intangible assets acquired in business combinations is their acquisition-date fair value, provided that this can be measured reliably. Subsequent costs relating to research and development projects are recognised in accordance with the criteria for internally generated intangible assets.

In 2006 the Group acquired the Telepizza brand name from Tele Pizza, S.A. through the business combination with the latter. When allocating a purchase price to the shares, this brand name was measured at its fair value of Euros 247,028 thousand. In the aforementioned business combination, the Group also recognised the rights arising from the franchise contracts at their fair value, which totalled Euros 132,960 thousand.

(iii) Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses.

- *Concessions, patents and licences*

  Concessions, patents and licences are measured at their cost of acquisition.

- *Computer software*

  Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use.

  Computer software maintenance costs are expensed as incurred.

(iv) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

(Continúa)

In 2009 the Group re-estimated the useful life of the telepizza brand and of other intangible assets arising from contractual rights obtained in the merger with Medimosal, S.L.

Due to its market leadership and potential as an umbrella brand for new sales concepts through the extension of its range of products, the telepizza brand has an indefinite useful life, which is in line with sector practice for brands with similar characteristics.

Intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a straight-line basis over the following useful lives:

Contractual rights	30
Customer databases	11
Patents and licences	4
Leaseholds	10
Computer software	4
Administrative concessions	Operating term

The depreciable amount is the cost of an asset less any residual value. The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) of this note.

(f) Non-current assets held for sale and discontinued operations

(i) *Non-current assets held for sale*

Non-current assets or disposal groups are classified as non-current assets held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for sale in their present condition subject to terms that are usual and customary for sales of such assets and that the transaction is highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of disposal and are not depreciated.

(Continúa)

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated income statement (consolidated statement of comprehensive income), unless it is a discontinued operation. Impairment losses on a cash generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit.

A gain on increases in the fair value less costs of disposal (either due to remeasurement of fair value less costs of disposal or to impairment losses that occurred before classification of the asset as held for sale) is recognised in the income statement to the extent that it reverses any impairment of the asset.

A non-current asset or disposal group, including subsidiaries and all or part of investments in associates and joint ventures acquired exclusively for resale or swap, is classified at the date of acquisition as held for sale if the transaction is expected to be realised within twelve months after the reporting date and the sale is considered highly probable within a short period subsequent to acquisition. On initial classification as held-for-sale, non-current assets are recognised at the lower of the carrying amount of the asset had it not been classified as held-for-sale and fair value less costs of disposal.

The Group measures a non-current asset that ceases to be classified as held-for-sale or to form part of a disposal group at the lower of the carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale, and its recoverable amount at the date of reclassification. Any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations or other comprehensive income.

(ii) *Discontinued operations*

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

(Continúa)

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less disposal or distribution costs or on the disposal of the assets or disposal group(s) constituting the discontinued operation on the face of the consolidated income statement. The consolidated income statement for the prior year has been restated to facilitate comparison with the accompanying consolidated annual accounts (see note 5).

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

(g) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill and the brand, which has an indefinite useful life, for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use. An asset's value in use is measured based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in profit and loss.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses for cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other non-current assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the consolidated income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

After an impairment loss is recognised or reversed, the depreciation (amortisation) charge for the asset is adjusted in future periods based on its new carrying amount.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the consolidated income statement.

(h) Leases

(i) Lessor accounting records

The Group, as lessor, transfers the right to use certain storage facilities and commercial premises to third parties through operating leases.

Leases which do not transfer to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as operating leases.

The Group assesses the economic substance of contracts to identify any implicit leases. A contract is or contains a lease if compliance with the agreement depends on the use of a specific asset or assets. In these cases, at the inception of the lease the Group separates future lease payments receivable and the consideration relating to the lease from those for the rest of the items included in the agreement, based on their fair values. Lease payments are recognised by applying the criteria set out in this note.

Assets leased to third parties under operating lease contracts are presented according to their nature, applying the accounting policies set out in note 4 (d).

(Continúa)

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

Initial direct costs are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Contingent rents are recognised as income when it is probable that they will be received.

(ii) Lessee accounting records

The Group also has rights to use certain properties through lease contracts.

Leases in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

- *Finance leases*

  At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method. Contingent rents are recognised as an expense when it is probable that they will be incurred.

  The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in note 4 (d). However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- *Operating leases*

  Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

  Contingent rents are recognised as an expense when it is probable that they will be incurred.

(Continúa)

(i) Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss and loans and other receivables. Investments are classified based on the purpose for which they were acquired and the characteristics of the instruments.

Acquisitions and sales of financial assets are accounted for at the trading date, when the Group undertakes to purchase or sell the asset.

Financial assets and financial liabilities at fair value through profit or loss

The Group has classified in this category derivative financial instruments held for trading which are not designated as hedging instruments as they do not meet the conditions to be considered effective.

Financial assets are recognised at fair value. Transaction costs directly attributable to the acquisition are recorded as an expense in the consolidated income statement.

Unrealised and realised gains and losses arising from changes in fair value are recognised in the consolidated income statement in the year in which they arise.

Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of not discounting is immaterial, are measured at their nominal amount.

Impairment

At each reporting date the Group assesses whether objective evidence exists of the impairment of a financial asset or group of financial assets, as a result of one or more events occurring subsequent to the initial recognition of the asset with an impact on the estimated future cash flows associated with the financial asset or group of financial assets that can be reliably estimated.

The Group recognises impairment of loans and receivables when estimated future cash flows are reduced or delayed due to debtor insolvency. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the provision. Reversals of impairment are also recognised against the provision.

(Continúa)

In the case of financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit and loss and can be reversed in subsequent years if the decrease in the impairment loss can be related objectively to an event occurring after the impairment was recognised. However, the loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recorded.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any gain or loss deferred in recognised income and expense within other comprehensive income, is recognised in profit or loss.

(j) Inventories

Inventories mainly comprise food products, packaging, promotional material and smaller quantities of other materials, and are recognised at the lower of acquisition or production cost and net realisable value.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition and other costs directly attributable to the acquisition.

Trade discounts are recognised as a reduction in cost of inventories when it is probable that the conditions for discounts to be received will be met. Unallocated discounts are recognised in the consolidated income statement as a decrease in the purchase.

Purchase returns are recognised as a reduction in the carrying amount of inventories returned.

Sales returns are recognised at purchase price, except where the net realisable value is lower, in which case they are recognised at that amount.

The production cost of inventories comprises the purchase price of raw materials and consumables, costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

(Continúa)

Income from grants on assets for production is not recognised as a reduction in the production cost of inventories.

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials and other supplies: weighted average cost.

- Finished goods and work in progress: the weighted average cost of raw materials and other supplies, including the costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

- Goods for resale: weighted average acquisition cost.

When the cost of inventories exceeds net realisable value, materials are written down to net realisable value, which is understood to be:

- Raw materials and other supplies: replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.

- Merchandise and finished goods: estimated selling price less costs to sell.

- Work in progress: estimated selling price of the related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the write-down is limited to the lower of the cost and the revised net realisable value of the inventories.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows from interest received and paid as financing activities.

(Continúa)

(l) Financial liabilities

Financial liabilities, including trade and other payables, which are not classified as held for trading or financial liabilities at fair value through profit or loss, are initially recognised at fair value less any transaction costs. After initial recognition, liabilities classified under this category and external financing are measured at amortised cost using the effective interest method

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

A financial liability, or part of a financial liability, is derecognised when the Group has settled the obligations stipulated in the contract, or when these have been extinguished or have expired.

(i) *Derecognition and modifications of financial liabilities*

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(Continúa)

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. The Group applies the above criteria to determine whether it should derecognise the original trade payable and recognise a new liability with the financial institutions. Trade payables settled under the management of financial institutions are recognised under trade and other payables only if the Group has transferred management of the payment to the financial institutions but retains primary responsibility for settling the debt with the trade creditors.

Payables to financial institutions as a result of the sale of trade liabilities are recognised as trade payables advanced by banks under trade and other payables in the consolidated statement of financial position.

Nonetheless, when a creditor assumes primary responsibility towards the financial institutions, these debts are reclassified to loans and borrowings in the consolidated statement of financial position.

The consideration given by the financial institutions in exchange for the right to finance the customers of the Group is recorded in other income in the consolidated income statement (consolidated statement of comprehensive income) when accrued.

The issue of equity instruments by the Group to settle a financial liability is part of the consideration paid to settle the financial liability. Consequently, the equity instruments issued to fully or partially settle a financial liability are measured at fair value, unless the fair value of the settled liability can be measured more reliably. If the Group settles only a part of the financial liability, a portion of the fair value of the equity instruments issued is allocated to determine whether the remaining part of the financial liability has changed. The difference between the fair value of the equity instruments issued to settle the financial liability or, where appropriate, the fair value of the liability and the carrying amount is recognised in gains/losses on settlement of financial liabilities through the issue of equity instruments in the consolidated income statement.

(m) Interest and foreign currency swaps

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

Hedge accounting has not been applied to these financial instruments as they do not meet the conditions to be considered effective. Changes in the fair value of these derivatives are therefore recognised in profit and loss as finance costs under change in fair value of financial instruments.

(Continúa)

(n) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached. Government grants may comprise the following:

- Capital grants: non-refundable government grants awarded as monetary assets are initially recorded under liabilities at the original amount received or at fair value. Income from capital grants is recognised under other income on a straight-line basis over the useful life of the items of property, plant and equipment for which the grants have been received.
- Operating grants: are recognised as a reduction in the expenses that they are used to finance.

(o) Employee benefits

(i) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect

In the case of involuntary termination benefits, the Group can no longer withdraw the offer when it has informed the affected employees or trade union representatives of the plan; the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made; the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations and the expected completion date; the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the liability is discounted by reference to market yields on high quality corporate bonds.

(ii) Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

(Continúa)

Short-term employee benefits are reclassified to long term if the characteristics of the benefit change or if there is a non-temporary change in expectations of the timing of settlement.

The Group recognises the expected cost of short-term employee benefits in the form of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(p) Provisions

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement caption in which the related expense was recognised, and any surplus is accounted for in other income.

(q) Revenue recognition

Revenue from the sale of goods or provision of services is measured at the fair value of the consideration received or receivable. Revenue is presented net of value added tax and any other taxes. When sales discounts are considered likely to be disbursed at the revenue recognition date, they are accounted for as a decrease in revenue.

Sales of goods to customers in cash or sales to franchises and revenue from services rendered are recognised when the Group sells the product or renders the service.

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

The Group does not have significant volumes of product returns.

(r) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the estimated amount of income tax payable or recoverable in respect of the consolidated taxable income or tax loss for the year. Current tax assets or liabilities are measured using enacted tax rates and tax laws.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Since 1 January 2007 Foodco Pastries Spain, S.L. has been the parent of a tax group, as defined by the consolidated tax regime, which comprises Tele Pizza, S.A., Circol, S.A., Mixor, S.A. and Luxtor, S.A. at 31 December 2014.

(i) Recognition of taxable temporary differences

Deferred tax liabilities derived from taxable temporary differences are recognised in all cases except where:

- They arise 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 accounting profit nor taxable income.

- They are associated with investments in subsidiaries and jointly controlled entities over which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(ii) Recognition of deductible temporary differences

Deferred tax assets derived from deductible temporary differences are recognised provided that:

- It is probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise 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 accounting profit nor taxable income.

- The temporary differences are associated with investments in subsidiaries and jointly controlled entities that will reverse in the foreseeable future and sufficient taxable income is expected to be generated against which the temporary differences can be offset.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets if the Group intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not comply with the above conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iv) Offset and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continúa)

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

(u) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

(Continúa)

Property, plant and equipment acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 4 (d).

(5) Non-current Assets Held for Sale and Discontinued Operations

The Group has classified the assets and liabilities of its Colombian subsidiary, a separate business segment, as held for sale in accordance with the relevant standard. The sales transaction is expected to be effective in 2015.

The Group has also classified under this category a number of outlets in Chile, based on the decisions of the Steering Committee. The sales transaction is expected to be effective in 2015.

Details of assets and liabilities held for sale in relation to the discontinued operation are as follows:

	Thousands of Euros	
	2014	2013
Assets held for sale:		
Technical installations and machinery	5,887	1,795
Goodwill (note 8)	8,144	-
Other intangible assets	89	125
Other non-current assets	1,960	-
Inventories	560	33
Other current assets	2,728	-
Cash	355	-
Total assets	19,723	1,953
Liabilities directly associated with non-current assets held for sale:		
Loans and borrowings	2,557	-
Trade and other payables	3,698	-
Other current liabilities	864	83
Total liabilities	7,120	83

Details of the post-tax loss of discontinued operations disclosed in the consolidated income statement relating to the discontinued operation are as follows:

	Thousands of Euros	
	2014	2013
Revenue	21,980	29,596
Expenses	(27,877)	(30,436)
Pre-tax loss of discontinued operations	(5,897)	(840)
Income tax	(2,232)	(138)
Post-tax loss of discontinued operations	(8,129)	(979)

(6) Business Combinations

During 2014 the Group acquired a number of businesses already in operation from franchises in Spain, Portugal and Chile, while in 2013 it purchased an outlet in Spain, three in Portugal and two in Chile.

Aggregate details of the cost of the business combinations, the net assets acquired and goodwill are as follows:

	Thousands of Euros	
	2014	2013
Cost of the combination, cash paid	9,407	1,612
Less, fair value of net assets acquired	(1,972)	(237)
Goodwill (note 8)	7,435	1,375

(Continúa)

(7) Property, Plant and Equipment

Details of property, plant and equipment and movement are as follows:

	Thousands of Euros					
Data	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Advances and property, plant and equipment under construction	Other property, plant and equipment	Total
Cost						
Balance at 31/12/2012	13,087	140,178	15,898	485	19,521	189,169
Additions	354	8,106	2,067	195	1,759	12,481
Disposals	(2,303)	(20,149)	(1,686)	(42)	(5,029)	(29,209)
Transfers to assets held for sale	-	(2,393)	(225)		(29)	(2,647)
Other transfers	(732)	744	(155)	(57)	200	-
Exchange gains/(losses)	(756)	(1,945)	(511)	(7)	(485)	(3,704)
Balances at 31/12/2013	9,650	124,541	15,388	574	15,937	166,090
Additions	10	7,616	663	102	1,428	9,819
Disposals	(1,036)	(26,217)	(2,774)	(188)	(2,477)	(32,692)
Transfers to assets held for sale	-	(4,384)	(1,682)	(97)	(52)	(6,215)
Other transfers	348	(277)	17	(164)	76	-
Exchange gains/(losses)	(124)	(606)	(288)	(4)	(6)	(1,028)
Balances at 31/12/2014	8,848	100,673	11,324	223	14,096	135.9735
Depreciation or impairment						
Depreciation at 31/12/2012	(6,453)	(101,481)	(11,077)	(6)	(15,949)	(134,966)
Impairment at 31/12/2012	-	(6,310)	(12)	-	(93)	(6,415)
Depreciation for the year	(508)	(6,263)	(1,100)	-	(1,303)	(9,174)
Disposals	2,024	15,079	1,227	5	4,592	22,927
Transfers to assets held for sale	-	846	68	-	16	930
Exchange gains/(losses)	465	(967)	431	1	167	97
Impairment	(217)	(1,989)	-	-	(93)	(2,299)
Depreciation at 31/12/2013	(4,472)	(90,852)	(10,451)	-	(12,477)	(118,252)
Impairment at 31/12/2013	(217)	(8,299)	(11)	-		(8,527)
Depreciation for the year	(381)	(5,885)	(1,049)	-	(1,289)	(8,604)
Disposals	540	20,478	2,498	-	2,204	25,720
Transfers to assets held for sale	-	1,465	259	-	40	1,764
Exchange gains/(losses)	23	371	148	(1)	45	586
Other transfers	28	(29)	146	2	(147)	-
Impairment	(133)	1,486	1	-	-	1,355
Depreciation at 31/12/2014	(4,262)	(74,452)	(8,449)	1	(11,624)	(98,786)
Impairment at 31/12/2014	(350)	(6,813)	(10)	-	-	(7,173)
Carrying amount						
At 31/12/2012	6,634	32,387	4,809	479	3,479	47,788
At 31/12/2013	4,961	25,390	4,926	574	3,460	39,311
At 31/12/2014	4,236	19,408	2,865	224	3,282	30,015

(Continúa)

During 2014 there have been additions to installations and machinery that mainly consist of investments resulting from the opening of new outlets, the acquisition of franchise outlets and investments in lighting, energy efficiency and air conditioning. Additions have also been made to furniture and motorcycles.

During 2013 there were additions to installations and machinery that mainly consist of investments resulting from the opening of new outlets and relocation of existing outlets. There were also additions to machinery and other property, plant and equipment mainly due to the investment in computer equipment, replacement of lighting systems as well as machinery and other property, plant and equipment in the Daganzo factory and in the subsidiary Luxtor.

Other property, plant and equipment include the acquisition of motorcycles and IT equipment for outlets.

Disposals include the assets of the factory in Ávila following their sale. Disposals also include property, plant and equipment used in outlets which have been franchised, closed or sold and items relating to the termination of rental contracts for certain outlets.

The Group receives government grants to finance items of property, plant and equipment (see note 20).

At 31 December 2014 and 2013 the Group has no commitments to acquire items of property, plant and equipment. Assets totalling 1,100 thousand have been pledged as security. The Group does not have any significant unused property, plant and equipment.

During 2014 the Group has reversed impairment losses totalling Euros 1,355 thousand (recognition of impairment losses amounting to Euros 2,111 thousand in 2013). These reversals and losses are basically due to the impairment of assets used in operations in the Group's outlets. Impairment losses have been determined based on value in use. Value in use is calculated based on future cash flows, projected up to the expiry date of the lease contract for each outlet. The main assumptions employed to project cash flows are detailed in note 7.

The Group has taken out sufficient insurance policies to cover the risk of damage to its property, plant and equipment.

Details of the cost of fully depreciated property, plant and equipment at 31 December 2014 are as follows:

	Thousands of Euros	
	2014	2013
Technical installations and machinery	46,675	55,919
Other	16,810	15,255
	63,485	71,174

(Continúa)

Property, plant and equipment held under finance leases at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Cost of items held under finance leases	-	4,372
Accumulated depreciation and impairment losses	-	(1,274)
Carrying amount	-	3,098

Details of the main terms of finance leases in force at 31 December 2013 are as follows:

			Thousands of Euros		
Asset	Contract date	Number of monthly payments	Cash value	Amount of each instalment	Purchase option
Commercial premises	03/92-12/03	120-180	1,623	26	125
Less, accumulated depreciation			(1,274)		
Total			349		
Machinery and other	12/13	41-56	2,749	95	26
Less, accumulated depreciation			-		
Total			2,749		

A summary of the liabilities resulting from these transactions at 31 December 2013 is as follows:

	Thousands of Euros
	2013
Total liability under the contracts	6,254
Payments made	
In prior years	(3,426)
During the year	(79)
Finance lease payables (note 17 (a) and (b))	2,749

During 2014 assets held under finance lease and the corresponding lease payables have been transferred to assets and liabilities held for sale (see note 5).

(Continúa)

Details of assets leased out to third parties under operating leases at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Cost	5,519	6,352
Accumulated depreciation at 1 January	(4,998)	(5,448)
Depreciation charge for the year	(236)	(196)
Carrying amount	285	708

Future minimum payments receivable under non-cancellable operating leases are as follows:

	Thousands of Euros	
	2014	2013
Up to 1 year	2,366	812
Between 1 and 5 years	7,327	6,959
More than 5 years	2,111	15,081
	11,804	22,852

(8) Intangible Assets

Details of goodwill and movement during the year are as follows:

	Thousands of Euros
Cost	
Balance at 31/12/2012	415,396
Goodwill on business combinations for the year (note 6)	1,375
Exchange gains/(losses)	(209)
Disposals	(1,621)
Impairment losses for the year (note 25)	(38,901)
Balance at 31/12/2013	376,040
Goodwill on business combinations for the year (note 6)	7,435
Exchange gains/(losses)	18
Disposals	(1,097)
Transfers (note 5)	(8,144)
Impairment losses for the year (note 25)	(6,157)
Balance at 31/12/2014	368,095

(Continúa)

Transfers reflect the goodwill in Colombia which at 31 December 2014 has been classified under non-current assets held for sale.

Details of goodwill by country at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Spain	262,702	264,516
Portugal	61,511	61,858
Poland	4,620	4,620
Chile	38,958	36,633
Colombia	-	8,144
Other	303	269
	368,095	376,040

The amount of a CGU is determined based on its value in use. These calculations are based on cash flow projections from the financial budgets approved by Parent management over a period of five years. Cash flows subsequent to this five-year period are extrapolated using the sector growth rates in each country, which do not exceed the average long-term growth for the home delivery business in which the CGUs operate.

The discount rate assumption used when calculating value in use is as follows:

	Spain	Portugal	Chile	Poland
Discount rate	8.10%	9.26%	9.02%	7.96%
Growth rate of income in perpetuity	1.7%	1.5%	3.3%	1.70%

To calculate the value in use of the different CGUs over the five-year budget period, the directors used net revenue growth rates of between 0% and 5%, without considering any outlet openings or acquisitions and depending on the features of each market.

These assumptions have been used to analyse each CGU within the business segment.

The income and expense growth rates have been determined based on past performance and expectations for future market development. The discount rates used reflect specific risks related to the relevant segments.

A variation of 10 basis points in the discount rate used or in the growth rate of income in perpetuity would result in impairment of Euros 10,900 thousand and Euros 9,300 thousand on goodwill, respectively.

(Continúa)

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(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of other intangible assets and movement are as follows:

	Thousands of Euros					
	Concessions, patents and licences	Trademarks	Contractual and other rights	Other intangible assets	Computer software	Total
Cost						
Balances at 31/12/2012	1,209	253,502	151,359	721	19,971	426,762
Additions	70	-	-	-	1,197	1,267
Disposals	(6)	-	-	(57)	(140)	(203)
Other transfers	-	-	-	(19)	19	-
Transfers to assets held for sale	-	-	-	-	(13)	(13)
Exchange gains/(losses)	(3)	-	-	(13)	(247)	(263)
Balances at 31/12/2013	1,270	253,502	151,359	632	20,787	427,550
Additions	427	-	-	124	1,246	1,797
Disposals	(114)	-	-	-	(198)	(312)
Other transfers	-	-	-	-	14	14
Transfers to assets held for sale	-	-	-	-	(182)	(182)
Exchange gains/(losses)	2	-	-	6	(90)	(82)
Balances at 31/12/2014	1,585	253,502	151,359	762	21,577	428,785
Amortisation or impairment						
Amortisation at 31/12/2012	(885)	(18,526)	(38,844)	(609)	(15,051)	(73,915)
Impairment at 31/12/2012	(8)	-	-	-	-	(8)
Amortisation for the year	-	-	(5,960)	(5)	(2,317)	(8,282)
Disposals	6	-	-	57	143	206
Exchange gains/(losses)	-	-	6	-	157	163
Amortisation at 31/12/2013	(887)	(18,526)	(44,798)	(557)	(17,068)	(81,836)
Impairment at 31/12/2013	(8)	-	-	-	-	(8)
Amortisation for the year	(100)	-	(5,818)	(3)	(1,940)	(7,861)
Disposals	114	-	-	-	196	310
Transfers to assets held for sale	-	-	-	-	96	96
Exchange gains/(losses)	-	-	-	(6)	(29)	(35)
Amortisation at 31/12/2014	(873)	(18,526)	(50,616)	(566)	(18,745)	(89,326)
Impairment at 31/12/2014	(8)	-	-	-	-	(8)
Carrying amount						
Balance at 31/12/2012	316	234,976	112,515	112	4,920	352,839
Balance at 31/12/2013	383	234,976	106,561	75	3,719	345,714
Balance at 31/12/2014	704	234,976	100,743	196	2,832	339,451

The Company has recognised an intangible asset with an indefinite useful life under patents, licences and trademarks in relation to the telepizza brand. The original value of this asset was Euros 247,028 thousand and its carrying amount is Euros 228,502 thousand at 31 December 2014.

(Continúa)

Based on the estimates and projections available to the Parent's directors, the expected future economic benefits of these CGUs fully justify the net value of the goodwill recognised.

Details of residual amortisation, amortisation for the year, accumulated amortisation and the carrying amount of individually significant intangible assets at 31 December are as follows:

	Euros			
Description of the asset	Remaining useful life	Amortisation for the year	Accumulated amortisation	Carrying amount
2014				
Telepizza brand	Indefinite	-	18,526	228,502
Contractual rights	22	4,296	41,994	94,521
		4,296	60,520	323,023
2013				
Telepizza brand	Indefinite	-	18,526	228,502
Contractual rights	23	4,296	37,698	98,817
		4,296	56,224	327,319

At 31 December 2014 and 2013 the Group has no commitments to purchase intangible assets.

Details of the cost of fully amortised intangible assets at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Computer software	12,840	11,104
Other	1,195	1,085
	14,036	12,189

(Continúa)

(9) Non-current Financial Assets

Details of non-current financial assets at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Deposits and guarantees	6,107	6,102
Non-current trade receivables	12,554	16,385
Other loans and receivables	1,201	1,401
	19,862	23,888

Non-current trade receivables mainly reflect amounts receivable for franchising activities and from the sale of non-current assets to franchisees.

(10) Inventories

Details at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Merchandise	8,036	9,307
Raw materials	1,009	2,365
Finished goods	250	1,782
Total inventories	9,295	13,454

The cost of inventories recognised as an expense and included in the cost of goods sold is as follows:

	Thousands of Euros	
	2014	2013
Net purchases	80,562	70,329
Change in inventories	4,159	(163)
	84,721	70,166

At 31 December 2014 and 2013 the Group had no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

(Continúa)

(11) Trade and Other Receivables

Details are as follows:

	Thousands of Euros	
	2014	2013
Trade receivables	43,428	33,765
Other receivables	2,386	4,408
Public entities	3,810	5,896
Impairment	(7,881)	(6,239)
Trade and other receivables	41,743	37,830

Other receivables mainly include volume discounts on purchases from suppliers and advertising promotions.

An analysis of the changes in allowance accounts related to impairment of financial assets due to credit risk is as follows:

	Thousands of Euros	
	2014	2013
Current		
Balance at 1 January	(6,239)	(5,518)
Charges	(1,642)	(721)
Application/reversal	-	-
Balance at 31 December	(7,881)	(6,239)

(12) Cash and Cash Equivalents

Details at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Cash in hand and at banks	34,549	8,798
Current bank deposits	10,000	-
Cash and cash equivalents	44,549	8,798

Cash surpluses have been invested in daily and weekly deposits in monetary assets (REPOS, Eurodeposits and promissory notes) with average market rates.

(Continúa)

Cash and cash equivalents recognised in the consolidated statement of financial position are the same as those reported in the statement of cash flows as the Group does not have any overdrafts.

(13) Deferred Tax

Details of deferred tax assets are as follows:

	Thousands of Euros			
Deferred tax assets	Non-deductible provisions	Tax credits and deductions	Other	Total
Balances at 31/12/2012	2,321	29,060	755	32,136
Taken to the income statement (note 26)	(1,952)	(20,212)	(207)	(22,371)
Balances at 31/12/2013	369	8,848	548	9,765
Taken to the income statement (note 26)	1,850	(1,285)	351	916
Balances at 31/12/2014	2,219	7,563	899	10,681

The deferred tax assets recognised in the consolidated statement of financial position mainly reflect tax loss carryforwards generated by the subsidiaries Foodco Pastries Spain, S.L., Tele Pizza, S.A. and A Tu Hora, S.A.

Details of deferred tax liabilities are as follows:

	Thousands of Euros			
Deferred tax liabilities	Accelerated depreciation	Intangible assets	Other	Total
Balances at 31/12/2012	2,733	104,907	94	107,734
Taken to the income statement (note 27)	(1,237)	(1,144)	604	(1,777)
Balances at 31/12/2013	1,496	103,763	698	105,957
Taken to the income statement (note 27)	(923)	(18,314)	(571)	(19,808)
Balances at 31/12/2014	573	85,449	127	86,149

Spanish Income Tax Law 27/2014 of 27 November 2014, approved on 28 November 2014, incorporates wholly new legislation on corporate income tax and enters into force for tax periods beginning on or after 1 January 2015. These amendments include a reduction of the general tax rate from 30% at present to 28% in 2015 and 25% from 2016 onwards.

(Continúa)

Furthermore, the limit of 25% for offsetting tax loss carryforwards in 2015 has been increased to 60% for tax periods beginning in 2016 and 2017 onwards. The deadline of 18 years for offsetting tax loss carryforwards has also been wholly eliminated.

In light of these amendments to tax legislation, the Company has adjusted its deferred tax assets for tax loss carryfowards and temporary differences by Euros 1,542 thousand and its deferred tax liabilities by Euros 16,363 thousand.

(14) Equity

As part of the Group's debt restructuring process, in 2014 the Parent increased its share capital by Euros 221 thousand, with a share premium of Euros 213,160 thousand, by issuing 4,411 new shares of Euros 50 par value each with a share premium of Euros 48,324.6053 each, in accordance with the sole shareholder's decision of 20 October 2014. The shares were subscribed and fully paid by the sole shareholder, by capitalising the outstanding Euros 107,111 thousand participating loan and Euros 106,269 thousand subordinated loan on 20 October 2014 (see note 28).

As a result of the equity instruments issued to settle the aforementioned financial liability, the Company has recognised income totalling Euros 128,568 thousand to reflect the difference between the fair value of the liability and its carrying amount under gains/losses on settlement of financial liabilities through the issue of equity instruments in the consolidated income statement for 2014.

Moreover, on 20 October 2014 the Company's sole shareholder made a monetary contribution of Euros 157,532 thousand. On the same date, the related company Foodco Debt S.à.r.l subscribed a 1.06% capital increase by Tele Pizza, S.A. for an amount of Euros 83,055 with a share premium of Euros 45,156,953 (see note 17(a)).

In 2013 the Company increased its share capital by Euros 2,800 thousand, with a share premium of Euros 53,200 thousand, by creating 56,000 new shares of Euros 50 par value each with a share premium of Euros 950 each, in accordance with the sole shareholder's decision of 2 August 2013. The shares were subscribed and fully paid by the sole shareholder, by partially capitalising the Euros 56,000 participating loan extended by the latter (see note 28).

(a) Capital

Share capital is comprised of 360,000 shares of Euros 50 par value each (355,589 shares at 31 December 2013), fully subscribed by Foodco Finance, S.à.r.l., with registered office in Luxembourg (see note 1).

On 20 October 2014 the former sole shareholder, Telefood S.à.r.l, transferred all its shares in Foodco Pastries Spain S.L. to Foodco Finance, S.à.r.l, which therefore became the sole shareholder of the Parent.

Share capital was Euros 18,000 thousand at 31 December 2014 and Euros 17,779 thousand at 31 December 2013.

Like other groups in the sector, Foodco controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by EBITDA. Net debt is the sum of financial debt less cash and cash equivalents. EBITDA is calculated as operating profit plus depreciation and amortisation. Ratios in 2014 and 2013 are calculated as follows:

	Thousands of Euros	
	2014	2013
Total debt	376,435	618,328
Less: Cash and cash equivalents	(44,549)	(8,798)
Net debt	331,886	609,530
EBITDA	40,867	58,638
Debt ratio	8.12	10.39

The financing contract entered into by the Group with financial institutions described in note 17 (a) requires the Company to comply with certain covenants.

The Company complies with all these ratios at 31 December 2014 and 2013.

(b) Share premium

At 31 December 2014 and 2013 this premium is freely distributable, provided that its distribution would not reduce the Parent's equity to an amount lower than share capital.

(c) Other reserves

Legal reserve

The Company is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2014 and 2013 the Parent has not appropriated any amount to this legal reserve.

Other reserves

Other reserves reflect the expenses incurred in increasing share capital in 2008, 2010, 2011, 2013 and 2104, net of the tax effect, and from the monetary and non-monetary contributions received in 2014 totalling Euros 157,615 thousand.

(Continúa)

Translation differences

Translation differences reflect differences generated since the inclusion of the Telepizza subgroup in the Group in September 2006.

(15) Earnings/(Loss) per Share

(a) Basic

Basic earnings/loss per share are calculated by dividing the profit/loss for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares if applicable.

	Euros	
	2014	2013
Profit/(loss) for the year attributable to equity holders of the Parent (in Euros)	90,736,949	(84,753,784)
Weighted average number of ordinary shares outstanding	356,459	323,063
Basic earnings/(loss) per share (in Euros)	254.55	(262.34)

(b) Diluted

At 31 December 2014 and 2013 the diluted earning/loss per share is the same as the basic earning/loss per share.

(16) Current and Non-current Financial Liabilities at Fair Value

Details of derivative financial instruments measured at fair value at 31 December 2014 and 2013 are as follows:

2014		Thousands of Euros	
		Fair values	
		Liabilities	
	Notional amount	Non-current	Current
Interest rate derivatives			
Interest rate swaps	(530,000)	36	(2,230)
Total derivatives at fair value through profit or loss	(530,000)	36	(2,230)

2013		Thousands of Euros	
		Fair values	
		Liabilities	
	Notional amount	Non-current	Current
Interest rate derivatives			
Interest rate swaps	(325,000)	(2,329)	(14)
Total derivatives at fair value through profit or loss	(325,000)	(2,329)	(14)

(Continúa)

In 2014 the Company arranged a new interest rate hedge for Euros 205,000 thousand, which swapped the Euribor rate borne on a loan for a fixed rate of 1.06%. This instrument became effective on 22 December 2014 and expires on 22 December 2017. At 31 December 2014 it has a positive fair value of Euros 36 thousand.

On 14 September 2012 the Group arranged a new interest rate swap which expires on 22 December 2015 for an initial notional amount of Euros 125,000 thousand. On 23 December 2013 the notional amount was increased to Euros 325,000 thousand and the expiry extended to 31 December 2015. The average interest rate up to 23 December 2013 was 0.32%, increasing thereafter to 0.735% until expiry. At 31 December 2014 it has a negative fair value of Euros 2,216 thousand (Euros 2,329 thousand at 31 December 2013).

The Group accrued expenses of Euros 1,697 thousand in 2014 and Euros 4,565 thousand in 2013 in relation to its derivative financial instruments.

(17) Interest-bearing Loans, Borrowings and Bonds

(a) Non-current loans and borrowings

On 12 September 2006 the Group entered into a credit facility (hereinafter Senior Facility), which provided a total of Euros 591 million to subsequently finance the acquisition of Tele Pizza, S.A. shares and convertible bonds. On that date, the Group also arranged a subordinated loan (hereinafter Mezzanine Facility), providing a maximum of Euros 100 million to the Foodco Group to partially finance this acquisition. All loans had a single maturity date, except the Senior Facility, tranche A, which is repayable in instalments.

On 22 June 2012 the Group company, Foodco Debt, S.a.r.l. acquired Euros 40,698 thousand of the senior debt of the syndicated loan, specifically: Tranche A, tranche B, tranche C, the CAPEX facility and the Revolving A line. This debt accrued interest. On 20 October 2014 Foodco Debt, S.a.r.l increased the share capital of Tele Pizza, S.A. by capitalising this debt and interest accrued for a total of Euros 45,157 thousand (see note 14).

On 20 October 2014 Foodco Pastries Spain, S.L. together with its subsidiary Tele Pizza, S.A. signed an Amendment and Restatement Deed on refinancing the senior debt held by the Group. Through this refinancing, the Mezzanine debt, the borrowing costs capitalised to date and a portion of the senior debt have been repaid. The only outstanding debt of this type is a single tranche amounting to Euros 285,000 thousand.

Furthermore, the sole shareholder's contribution of Euros 157,532 thousand has enabled the Group to repay its debt to the banking syndicate. As mentioned above, the portion of the syndicated financing held by the Group with Foodco Debt and the corresponding interest have been capitalised through the share capital increase with a premium totalling Euros 45,240 thousand (see note 14).

(Continúa)

As a result of this refinancing, the finance costs on the capitalised tranches have been expensed. Furthermore, the Group has expensed all the costs incurred as a result of the refinancing as there has been a significant change in the debt.

The finance costs accrued on the syndicated loan amounted to Euros 29,387 thousand and Euros 33,418 thousand in 2014 and 2013, respectively (see note 20).

Consequently, at 31 December 2014 and 2013 non-current borrowings comprise mainly the syndicated loans. Details of payments and the present value of borrowings by maturity are as follows:

	Thousands of Euros			
	2014		2013	
	Principal	Interest	Principal	Interest
Less than one year (note 17 (b))	55	4,095	13,682	729
Between two and five years	285,000	-	504,229	-
	285,055	4,095	517,911	729

Details of non-current loans and borrowings at 31 December 2014 and 2013 are as follows:

Type	Final maturity date	Thousands of Euros Limit	Balance at 31/12/2014	Balance at 31/12/2013	Margin as % of Euribor
Senior					
Senior	2021	285,000	285,000	-	EURIBOR+6%
Tranche A	2014/2016	60,000	-	9,383	EURIBOR+4.125
Tranche B	2014/2016	135,000	-	133,789	EURIBOR+4.500
Tranche C	2015/2016	135,000	-	133,789	EURIBOR+4.500
CAPEX facility	2014/2015	25,000	-	5,778	EURIBOR+4.125
Revolving A	2015	20,000	-	18,440	EURIBOR+3.750
Second Lien	2016	65,000	-	65,000	EURIBOR+6.000
		440,000	285,000	366,179	
Mezzanine	21/09/2016	100,000	-	151,715	3.500
Finance lease payables (note 7)			-	2,057	-
Less, loan arrangement costs		-	-	(3,419)	
Less, current portion (note 17 (b))		-	-	(12,303)	
Balance at 31 December		540,000	285,000	504,229	

(Continúa)

Although the interest rates are as listed above, the Group has contracted various variable-to-fixed interest rate swaps, which are described in note 16.

The Group has pledged all Telepizza Group assets as collateral to secure the loan obtained to acquire the Tele Pizza, S.A. shares and bonds. The Parent is also required to comply with certain covenants (see note 14 (a)).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(b) Current loans and borrowings

Details of current loans and borrowings at 31 December 2014 and 2013 are as follows:

	Thousands of Euros			
	2014		2013	
	Limit	Drawn down	Limit	Drawn down
Credit facilities	-	55	878	687
Finance lease payables (note 7)		-		692
Accrued interest (note 17 (a))		4,095		729
Senior Facility Tranche B (note 17 (a))		-		9,386
CAPEX facility (note 17 (a))		-		788
Senior Facility Tranche A (note 17 (a))		-		2,129
		4,150		14,411

(18) Employee Benefits

Termination benefits

During the year ended 31 December 2014, the directors of the Parent and certain subsidiaries approved termination benefits for various employees to be paid in 2015. A provision of Euros 1,337 thousand was recognised in this respect. In 2013 this provision amounted to Euros 846 thousand.

The total expense recognised in 2014 for termination benefits is Euros 1,868 thousand (see note 23).

(19) Contingencies

The Group has contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 3,300 thousand at 31 December 2014 (Euros 4,088 thousand at 31 December 2013). The Group does not expect any significant liabilities to arise from these guarantees.

(20) Government Grants

Movement in non-refundable government grants is as follows:

	Thousands of Euros	
	2014	2013
Grants received	7,369	7,635
Grants taken to income		
In prior years	(6,472)	(5,943)
During the year	(426)	(529)
Balance at 31 December	471	1,163

As mentioned in note 7, the Group receives government grants to finance acquisitions of property, plant and equipment, including a grant from the Madrid regional government in 2002 to finance improvement of the preparation and commercialisation of dough and other pizza-related products manufactured in the Daganzo factory (Madrid).

The Group estimates that the conditions initially established for the grants will remain unchanged.

(21) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	2014	2013
Trade payables	31,921	40,181
Public entities	6,161	4,924
Other payables	42	171
Salaries payable	5,053	2,343
Current guarantees and deposits received	63	81
	43,240	47,700

At 31 December 2014 trade payables include Euros 5,608 thousand payable to financial institutions for confirming transactions (Euros 5,817 thousand at 31 December 2013).

(Continúa)

Late Payments to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

Details of late payments to suppliers by Spanish consolidated companies are as follows:

	2014		2013	
	Thousands of Euros	%	Thousands of Euros	%
Within maximum legal period	92,987	55%	67,913	37%
Other	114,865	45%	115,912	63%
Total payments for the year	207,852	100%	183,825	100%
Weighted average late payment days (*)	57	-	58	-
Late payments exceeding the maximum legal period at the reporting date	11,058	-	15,160	-

(22) Operating Income

(a) Revenues

Details are as follows:

	Thousands of Euros	
	2014	2013
Outlet sales to customers	183,012	208,291
Wholesale factory sales to franchisees and other sales	84,508	73,424
Other services	22,677	21,281
	290,196	302,996

(b) Other operating income

In 2014 and 2013 other operating income mainly includes income from advertising and other services provided to franchisees, as well as other income (see note 1).

(23) Personnel Expenses

Details of personnel expenses in 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Salaries and wages	73,495	74,428
Social Security	16,575	17,700
Termination benefits (note 18)	1,868	2,527
Other employee benefits expenses	409	3,027
Total personnel expenses	92,347	97,682

The average number of full-time equivalent employees in the Group during 2014 and 2013, distributed by category, is as follows:

	Number	
	2014	2013
Management	33	45
Outlet managers	365	393
Other personnel	4,072	4,567
	4,470	5,005

At year end the distribution by gender of the Parent's personnel and directors is as follows:

	Number			
	2014		2013	
	Male	Female	Male	Female
Board members	8	-	3	1
Management	27	7	37	8
Outlet managers	161	204	176	216
Other personnel	2,186	1,889	2,329	2,238
	2,382	2,100	2,545	2,463

(24) Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2014	2013
Operating leases	22,753	24,739
Transport	9,266	12,826
Advertising and publicity	12,962	14,865
Utilities	11,272	14,881
Other expenses	31,770	21,365
	88,023	88,676

The Group leases certain storage installations and commercial establishments from third parties under operating leases.

Future minimum payments under non-cancellable operating leases at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Less than one year	7,613	12,683
One to five years	27,305	40,061
More than five years	49,661	20,964
	84,579	73,708

(25) Other Losses

Details at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Losses on sale of property, plant and equipment	(3,994)	(3,363)
Goodwill (note 8)	(6,157)	(38,901)
Impairment losses (recognised)/reversed on property, plant and equipment (note 7)	1,355	(2,112)
	(8,796)	(44,376)

(Continúa)

(26) Income Tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax profit/loss, with the income tax expense recognised in the consolidated income statement for 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Loss for the year from continuing operations, before income tax	79,133	(59,664)
Tax losses not recognised as tax credits	-	-
	79,133	(59,664)
Expected Parent tax income/expense at the standard tax rate (30%)	23,740	(17,899)
Non-taxable income at the standard tax rate	(38,580)	-
Non-deductible expenses at the standard tax rate		
Finance costs	9,025	11,413
Goodwill consolidation	-	9,953
Write-off tax credits	-	19,013
(Income)/expense due to different tax rates	637	180
Adjustment for change in tax rate	(14,821)	-
Tax expense in foreign subsidiaries	266	1,224
Effective tax rate / Income tax expense/(income)	(19,733)	23,884

	Thousands of Euros	
	2014	2013
Income tax payable/(recoverable) for 2014 and 2013 is calculated as follows:		
Tax expense/(income)	(19,733)	23,884
Deductible temporary differences (note 13)	2,458	(2,159)
Taxable temporary differences (note 13)	2,988	633
Recognition (offset) of tax credits (note 13)	-	(20,212)
Reversal of deferred tax liabilities arising on business combinations (note 13)	457	1,144
Adjustment for change in tax rate	14,821	-
Payments on account	(101)	(2,320)
Income tax payable	890	970

(Continúa)

In accordance with prevailing legislation in each country, losses declared may be carried forward to be offset against profits of the subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection during the inspection periods established by applicable legislation.

At 31 December 2014, the Group has the following tax loss carryforwards:

2014	
Thousands of Euros	
Year	Amount
2001	3,955
2002	717
2003	286
2004	285
2005	88
2008	11,998
2009	7,562
2010	628
2011	14,466
2012	4,782
2014	756
Total	45,523

Based on the tax declarations filed by the Group companies during 2014 and in prior years, the Group had the following tax credits pending application:

	Thousands of Euros	Available until
Environment	25	2029
Double taxation deductions	95	
For R&D&i	483	2021-2029
	603	

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2014 the Company has open to inspection by the taxation authorities all the main applicable taxes since 1 January 2012 except for income tax, which is also open to inspection for 2011, as the prior periods were inspected by the taxation authorities in 2012-2013.

(Continúa)

On 21 June 2013 the Company received the definitive assessments from the tax inspection, which were signed on an uncontested basis, giving rise to the adjustment of the tax credit for tax losses and the related effect on the deferred tax asset recognised.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any case, the Parent's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

(27) Commitments

As stated in notes 7 and 8, at 31 December 2014 and 2013 the Group has no commitments relating to investing activities.

(28) Related Party Balances and Transactions

The sole shareholder has extended the following subordinated loan to the Parent (two loans extended by the sole shareholder at 31 December 2013):

	Thousands of Euros	
	31/12/2014	
	Non-current	Current
Subordinated loan	84,825	2,460
	84,825	2,460

	Thousands of Euros	
	31/12/2013	
	Non-current	Current
Participating loan	97,202	2,486
Subordinated loan	96,002	267
	193,204	
Loan arrangement costs	(280)	-
	192,924	2,753

(i) Participating loan

On 17 July 2006 the Company obtained a participating loan from its sole shareholder for an initial amount of Euros 150,680 thousand, which bears fixed interest at a rate of 16% with a variable tranche based on the Company's profits. The loan is repayable on maturity in 2036. This loan was reduced by Euros 85,700 thousand on 21 July 2008 following the share capital increase carried out by the Company.

(Continúa)

On 24 September 2010 the shareholders at their annual general meeting resolved to increase share capital through the creation of 6,000 new shares, with a share premium, by partially capitalising a Euros 3,000 thousand participating loan from the Group.

On 8 February 2011 the shareholders at their annual general meeting resolved to increase share capital through the creation of 78,000 new shares, with a share premium, by partially capitalising a Euros 39,000 thousand participating loan from the Group.

On 1 January 2013, the fixed interest rate on the participating loan was reduced from 16% to 9.3% by way of an agreement entered into between the two companies.

On 2 August 2013 the shareholders at their annual general meeting resolved to increase share capital through the creation of 56,000 new shares, with a share premium, by partially capitalising a Euros 56,000 thousand participating loan from the Group (see note 8).

On 20 October 2014, in accordance with the minutes of the decisions taken, the sole shareholder approved the decision to capitalise this participating loan, together with the accrued interest payable at that date, for an amount of Euros 7,423,484 (Euros 2,486 thousand in 2013), as part of the share capital increase with a share premium for Euros 107,111 thousand (see note 14).

During 2013 the Company capitalised borrowing costs totalling Euros 14,788 thousand. At 31 December 2013, the accrued uncapitalised interest, and therefore payable, amounted to Euros 2,486 thousand.

(ii) Subordinated loan

On 17 July 2006 the sole shareholder signed another contract with the Company to extend a loan of Euros 35,000 thousand to the latter. This loan accrues interest of 12.125% and falls due in 2016. This loan reflects the subordinated loan obtained by the sole shareholder from third parties.

On 20 October 2014, in accordance with the minutes of the decisions taken, the sole shareholder approved the decision to capitalise this subordinated loan, together with the accrued interest payable at that date, for an amount of Euros 10,280,084 (Euros 267 thousand in 2013), as part of the share capital increase with a share premium for Euros 106,270 thousand (see note 8).

During 2013 the Company capitalised borrowing costs totalling Euros 11,140 thousand. At 31 December 2013 the accrued interest not capitalised, and therefore payable, on this loan amounted to Euros 266,929.

(Continúa)

On 20 October 2014 the Company arranged a further subordinated loan with its sole shareholder for an amount of Euros 84,824,950, which accrues interest of 14.5% and falls due in 2021. At 31 December 2014 the accrued interest not capitalised, and therefore payable, on this loan amounts to Euros 2,460 thousand.

The Group has not entered into any other contracts with the sole shareholder of the Parent.

(29) Information on the Parent's Directors and Senior Management Personnel

The directors of the Parent and senior management personnel and the board of directors received remuneration from the Group totalling Euros 3,797 thousand in 2014 (Euros 1,628 thousand in 2013). The Company has not granted any loans or advances to the directors or senior management personnel, or extended any guarantees on their behalf. The Company has no pension or life insurance obligations with its former or current directors or senior management personnel.

Furthermore, the Parent has not extended any loans or advances to members of the board and has no pension commitments with these parties at 31 December 2014 and 2013.

During 2014 and 2013 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

(30) Conflicts of Interest concerning the Directors

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(31) Environmental Information

The Group's operations are subject to legislation governing environmental protection and health and safety in the workplace (environmental protection and safety-in-the-workplace laws). The Group complies substantially with these laws and has established procedures designed to encourage and ensure compliance.

The Group has adopted appropriate measures for protecting and improving the environment and minimising the effect of its activities thereon and complies with prevailing environmental legislation. During the year the Group has considered that no significant contingencies exist concerning the environment and, accordingly, no provision has been made for environmental liabilities and charges.

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group has not incurred any expenses, made investments or received significant grants related with these risks during the year ended 31 December 2014 and 2013.

(Continúa)

(32) Audit Fees

KPMG Auditores, S.L., the auditors of the annual accounts of the Group, have invoiced the following fees and expenses for professional services during the years ended 31 December 2014 and 2013:

	Thousands of Euros	
	2014	2013
Audit services	172	137
Other assurance services	5	6
	177	143

The amounts detailed in the above table include the total fees for services rendered in 2014 and 2013, irrespective of the date of invoice.

Other affiliates of KPMG International have invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2014 and 2013:

	Thousands of Euros	
	2014	2013
Audit services	70	73
	70	73

(33) Segment Reporting

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units operate under different market conditions and are managed separately because they require different strategies.

At 31 December 2014 and 2013, the Group comprises the following operating segments:

- Spain
- Portugal
- Poland
- Chile
- Colombia
- Peru

(Continúa)

- Rest of the world

Segment performance is measured based on the pre-tax profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

Inter-segment transaction prices are established based on the normal commercial terms and conditions with unrelated third parties.

	2014							
	Thousands of Euros							
	Spain	Portugal	Poland	Chile	Colombia	Rest of the world	Eliminations	Total
Operating income								
From third parties	217,705	31,680	14,632	35,793		5,654	-	305,464
From other segments	6,076	-	-	-	-		(6,076)	-
Total operating income	223,781	31,680	14,632	35,793	-	5,654	(6,076)	305,464
Profit/(loss)								
Segment operating profit/(loss)	14,829	4,736	(267)	6,629	-	(449)	-	25,478
Net finance cost/income	60,319	(231)	(223)	2,737	-	(151)	-	62,451
Other gains	30	-	39	-	-	-	-	69
Other losses	(7,891)	(228)	(282)	(464)	-	-	-	(8,865)
Income tax	19,938	171	-	(406)	-	61	-	19,733
Profit/(loss) from continuing operations	87,225	4,448	(733)	8,496		(570)		98,866
Post-tax loss of discontinued operations	(86)	-	-	(592)	(7,451)	-	-	(8,129)
Attributable to the Parent	87,139	4,448	(733)	7,904	(7,451)	(570)	-	(86,959)
Segment assets	744,615	27,515	7,728	70,410	-	14,064	-	864,333
Assets held for sale or from discontinued operations		-	-	768	10,728	83	-	11,579
Group assets	744,615	27,515	7,728	71,177	10,729	14,147	-	875,912
Segment liabilities	46,695	4,061	2,514	4,931	-	686	-	58,887
Liabilities held for sale or from discontinued operations	-	-	-	-	7,037	83	-	7,120
Unassigned liabilities	-	-	-	-	-		-	809,905
Group liabilities	46,695	4,061	2,514	4,931	7,037	769	-	875,912
Investments in property, plant and equipment and intangible assets	5,325	802	377	4,974	-	1,128	-	12,606

(Continúa)

	2013							
	Thousands of Euros							
	Spain	Portugal	Poland	Chile	Colombia	Rest of the world	Eliminations	Total
Operating income								
From third parties	225,867	30,080	15,571	36,795	-	5,007	-	313,320
From other segments	11,991	-	-	-	-		(11,991)	-
Total operating income	237,858	30,080	15,571	36,795	-	5,007	(11,991)	313,320
Profit/(loss)								
Segment operating profit/(loss)	27,003	4,682	(40)	8,698	-	65	-	40,410
Net finance cost/income	(56,792)	(262)	(242)	1,425	-	(99)	-	(55,970)
Other gains	1,821	1,296	-	-	-	-	-	3,117
Other losses	(44,925)	(1,210)	(342)	(800)	-	-	-	(47,277)
Income tax	(22,659)	(8)	-	(1,057)	-	(21)	-	(23,745)
Profit/(loss) from continuing operations	(95,552)	4,498	(624)	8,266	-	(55)	-	(83,467)
Post-tax loss of discontinued operations	(12)	-	-	(618)	(657)	-	-	(1,287)
Attributable to the Parent	(95,564)	4,498	(624)	7,648	(657)	(55)	-	(84,754)
Segment assets	729,008	26,954	8,107	60,649	10,923	12,965	-	848,606
Assets held for sale or from discontinued operations	544	-	-	780	480	116	-	1,920
Group assets	729,552	26,954	8,107	61,429	11,403	13,081	-	850,526
Segment liabilities	51,638	4,434	2,491	2,558	4,865	472	-	66,458
Liabilities held for sale or from discontinued operations	-	-	-	-	-	-	-	
Unassigned liabilities	-	-	-	-	-	-	-	784,068
Group liabilities	51,638	4,434	2,491	2,558	4,865	472	-	850,526
Investments in property, plant and equipment and intangible assets	6,685	1,320	393	1,873	4,204	610	-	15,085

(Continúa)

(34) Risk Management Policy

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits. The Group therefore uses derivatives to mitigate certain risks.

Risks are managed by the Group's Finance Department in accordance with policies approved by the board of directors of the Parent. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The board of directors issues global risk management policies, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

Interest rate risk

Variations in interest rates affect the fair value of assets and liabilities that accrue interest at fixed rates, as well as the future cash flows of assets and liabilities indexed to a variable interest rate. Such variations could have a significant impact on the cost of debt and the return on investments.

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement. Exhaustive monitoring of trends in benchmark interest rates is essential to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is contracted, where necessary, to minimise the risk, assuring a reasonable interest rate.

The structure of financial risk at 31 December 2014 and 2013 is as follows:

Type of financing	Interest rate	Benchmark	Thousands of Euros	
			2014	2013
Syndicated loan	Floating	Euribor	289,095	514,475
Credit facilities	Floating	Euribor	55	688
Finance leases	Floating	Euribor	-	2,748
Total			289,150	517,911

The benchmark interest rates for the debt contracted by the Group companies are mainly one-month, three-month and one-year Euribor plus a spread, depending on the conditions established for each of the financial transactions.

(Continúa)

The Group has contracted a fixed interest rate swap facility for a two-year period for the Senior Facility.

Currency risk

As the Foodco Group operates internationally, fluctuations in exchange rates for financial or commercial transactions in foreign currencies are another fundamental financial risk to which the Group is exposed.

Currency risk mainly arises from three types of transactions:

- Commercial transactions in foreign currency
- Intragroup payables in foreign currency
- Net assets deriving from net investments in foreign operations with functional currencies other than the Euro (risk of fluctuation in the exchange rate on translation of the financial statements of these companies in the consolidation process).

The Group does not consider that possible fluctuations in the exchange rates of the Chilean Peso and the Polish Zloty could have a significant impact on its consolidated equity.

Liquidity risk

The Group's liquidity policy consists of contracting credit facilities and maintaining marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling the Company to settle market positions relating to non-current investments immediately, ensuring that this financial risk is minimised.

Credit risk

The Group is not exposed to significant credit risk considering the following parameters:

- Credit risk is not significantly concentrated.
- Cash placements and derivative contracts are with highly solvent entities.
- The average collection period for trade receivables is very short, varying between cash collections at retail outlets and collections at one month from sale in the case of franchises and other customers.
- Customers have adequate credit records, which significantly reduces the possibility of bad debts.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES
Details of Shareholdings in Group Companies
31 December 2014

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered office	Percentage ownership	Capital	Reserves	Profit/(loss)	Total equity
Tele Pizza S.A. (1)	Madrid	100.00%	7,800	371,977	(40,332)	339,445
Mixor, S.A. (1)	Madrid	100.00%	3,215	3,903	(120)	6,998
Circol, S.A. (3)	Madrid	100.00%	1,085	2,891	342	4,318
Telepizza Chile Group (2)	Santiago de Chile	100.00%	3,065	42,110	6,044	51,219
Telepizza Portugal Group (2)	Lisbon	100.00%	1,900	13,204	3,418	18,522
Telepizza Poland Sp. Z o.o. (1)	Warsaw	100.00%	9,319	(8,024)	(1,417)	(122)
Telepizza Maroc, S.A. (3) (4)	Casablanca	100.00%	59	(781)	-	(722)
A Tu Hora, S.A. (1)	Madrid	100.00%	450	(9,483)	398	(8,635)
Lubasto Holding, B.V. (3)	Amsterdam	100.00%	27	(150)	(13)	(136)
Telepizza Guatemala (3)	Guatemala	100.00%	1	139	429	569
Luxtor, S.A. (1)	Avila	100.00%	6,128	12,675	8,660	27,463
Telepizza Ecuador S.A. (3)	Quito	100.00%	536	(236)	(235)	65
Cozicharme, LDA	Lisbon	100.00%	5	(23,858)	(4,296)	(28,149)
Bazigual, SGPS,LDA	Lisbon	100.00%	5	(89)	(52)	(136)
Inverjenos S.A.S. (1)	Bogotá	100.00%	549	7,329	(8,035)	(157)
Telepizza Shanghai S.A.	Shanghai	100.00%	100	1	(33)	68
Telepizza Andina (3)	Lima	100.00%	5,786	(58)	(712)	5,016

(1) Audited
(2) The main companies of the subgroup have been audited
(3) Unaudited
(4) Dormant companies

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2014, in conjunction with which it should be read.

FOODCO PASTRIES SPAIN, S.L.
AND SUBSIDIARIES

Directors' Report

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

DR starts here The Group's Position and Business Performance

In 2014 the macroeconomic context of our main market, **Spain**, was characterised by a slight improvement in the main economic indicators.

The country's GDP has witnessed an upturn of 1.4% in 2014 after having shrunk by 1.2% in 2013. . The trend for the year has been one of improvement, with GDP having grown by 2.0% in the last quarter. Household spending is estimated to have risen by 2.3% in 2014, compared with the 2.1% decrease in 2013.

The unemployment rate has slightly improved, falling from 26.4% in 2013 to 24.4% in 2014. Deflation stood at 0.2% at the end of 2014.

These signs of recovery are expected to continue throughout 2015, and all the above indicators are set to improve.

Euribor (the principal benchmark rate for mortgage loans) remained at consistently low levels throughout 2014, standing at 0.33% at year end, compared to 0.54% at the end of 2013.

The **Portuguese** economy has seen a slowdown in recent years and suffered the effects of various measures aimed at reducing the public deficit which had a negative effect on consumer confidence and total expenses. However, the improvements forecast in the main economic indicators began to emerge in 2013. Portugal's GDP is estimated to have grown by 1.7% in 2014 compared with a 1.4% shrinkage in 2013. Household spending is expected to rise by 2.1% in 2014, compared to the 3.3% fall in 2013. The unemployment rate saw an improvement, having declined from 15.3% to 14.2% year-on-year. Lastly, price increases have been brought under control, with inflation reaching -0.2%, compared to 0.4% in 2013. This positive trend is expected to be maintained throughout 2015.

The **Polish** economy maintained its growth in 2014, with a 3.3% increase in GDP, compared with the 1.7% rise in 2013. The unemployment rate also improved during the year, decreasing from 10.3% in 2013 to 9.1% in 2014. Lastly, the CPI declined from 0.9% in 2013 to 0.1% in 2014. This positive trend is expected to be maintained throughout 2015.

The **Chilean** GDP continued to grow in 2014, albeit to a lesser extent than in the prior year, as GDP growth is estimated at 1.9% for 2014, compared with the 4.2% rise in 2013. Household spending also rose by a further 0.9%, compared to the 5.5% increase in 2013. The unemployment rate at year end was 6.5%, similar to that for 2013. Inflation for 2014 stood at 4.5% in 2014. Growth in 2015 is expected to be similar to that witnessed in 2013.

GDP in **Colombia** has continued to rise, and is expected to grow by 5%, slightly faster than in 2013. The unemployment rate in 2014 has been estimated at 9.1%. The growth in household consumption is estimated at 5.2%, slightly higher than in 2013. Inflation for the year was 3.7%. This positive trend is expected to be maintained throughout 2015.

Peru, where the Group began operating in 2011, also presents a trend of macroeconomic growth. GDP grew by 2.6% in 2014. Household consumption is estimated at 4.3%. Inflation stood at 3.2% compared to 2.8% in 2012. The unemployment rate fell from 7.5% in 2013 to 6.0% in 2014. These indicators are expected to be even more optimistic in 2015.

Ecuador, where the Group began operating in November 2012, also presents a scenario of macroeconomic growth. GDP growth for 2014 is estimated at 4.2%, similar to that in the prior year, whilst household spending increased by 3.9%. Inflation stood at 3.7% compared to 4.3% in 2012. The unemployment rate stood at 5.0% in 2014. This growth is expected to be maintained throughout 2015.

Activity of the Group

Foodco Pastries Spain, S.L. is the Parent of the Foodco Group, which holds a 100% interest in the Telepizza Group.

The Group primarily carries out its activity in the prepared food home delivery sector, mainly pizza delivery, through its main brand Telepizza and also the Pizza World brand.

The activity of its subsidiaries consists of the management and operation of fast-food sales outlets and restaurants under the brand names Telepizza and Pizza World for consumption at home and on the premises. At 31 December 2014, this activity is carried out through owned premises and franchises located mainly in Spain, Portugal, Poland, Chile, Colombia, Peru and Ecuador.

The Group also carries out its activities through master franchises in the United Arab Emirates, Guatemala, El Salvador, Panama, Bolivia and, since 2014, Russia and Angola.

The Group operates 1,268 outlets.

Through its factory in Daganzo (Madrid), Tele Pizza, S.A. produces dough and supplies ingredients to all the outlets in Spain and Portugal that are directly operated by the Telepizza Group or through its franchises.

In 2014 the Company signed a long-term strategic agreement for cheese supplies for its pizzas, whereby it sold the assets of Luxtor to Irish Dairy Board (IDB), which will supply cheese products, on an exclusive basis, to the Telepizza Group's entire network of outlets.

Activity in the domestic market

The Group carries out its activity through the Telepizza and Pizza World brands, and holds a leading position in the sector. Telepizza is the leader in the pizza delivery segment in Spain, positioned far ahead of its nearest competitor in terms of both size and sales (*source: TNS*).

The Group’s main market is Spain, where 66.7% of the chain’s sales are generated. In addition to the Telepizza brand, the Group operates the Pizza World brand in Spain.

Activity in Spain in recent years has suffered the effects of the macroeconomic environment and the crisis, which commenced in 2008, which has had a negative impact on household spending and employment. However, the main economic indicators have shown signs of improvement in 2014, with promising trends in GDP, household spending and unemployment.

During 2014 Telepizza has continued to adapt its activities and products to the competitive environment marked by restricted household spending.

The Company has been very active in adapting its marketing initiatives to the macroeconomic environment and responding to pressure from competitors.

The three new types of pizza and three special versions for specific periods launched during the year have strengthened the recognised variety of the brand.

The Group has continued its policy of theming products to both national holidays and days of the week, with such initiatives as Martes Locos (Crazy Tuesdays), which serve to strengthen the emotional bond with customers, specifically families, with greater choices for children.

The brand also strengthened its leading position in the online sales segment and continues to develop and improve its digital platforms. This purchase method is now available at virtually all of the Group’s outlets in Spain.

Another strategy that has continued to have positive effects in 2014 has been to open outlets in smaller towns based on a specifically designed outlet model. This new format requires significantly lower levels of investment than the traditional format, thereby adding flexibility to the expansion strategy.

Telepizza’s industrial division boasts state-of-the-art technology for manufacturing dough for pizza, which has allowed the Group to make ongoing improvements in productivity and stock management flexibility, guaranteeing a uniform, high-quality product. Within this area, the logistics platform is of particular importance as it supplies Telepizza outlets with products, making at least two or three deliveries per week.

The agreement with IDB is aimed at achieving operating efficiency and improving quality, response capabilities and flexibility in stock management for one of the Company's key ingredients. This will also enable the Company to focus its resources on its strategy of international consolidation and to diversify sales channels.

Lastly, the success of the brand is based on two key factors: the quality of the product, freshly made and to meet customers’ tastes, and of the service, which covers most of Spain.

Activity in the international market

Activity in international markets has seen an overall positive performance.

In 2014 the Group began operating in Russia and Angola through the master franchise format.

International sales represent 33.3% of the Group's total chain sales.

Telepizza operates directly in Portugal, Poland, Chile, Colombia, Peru and Ecuador, and through master franchise agreements in Central America and the United Arab Emirates and, since late 2013, in Panama and Bolivia, as well as the markets entered into during 2014.

The strategy in these countries is based on adapting to local preferences and characteristics, as well as exporting improvements and successful strategies implemented in the domestic market.

Group financial information

Operating income totalled Euros 305.96 million, down 2.3% on 2013, as a result of lower sales by owned outlets.

The gross operating margin was Euros 221.24 million, 72.3% of net sales and 9.0% lower than in 2013.

Operating profit amounted to Euros 25.48 million, representing a margin of 8.3%, up 37% compared to 2013 (operating profit of Euros 40.41 million).

The costs incurred in the refinancing arranged in 2014 have led to a reduction in the Company's EBIT.

The Group's finance costs totalled Euros 69.96 million in 2014, whilst finance income amounted to Euros 3.84 million, giving a net finance cost of Euros 66.12 million, mainly due to interest on bank loans.

The consolidated loss reported by the Group is Euros 51.89 million, Euros 32.87 million lower than the loss incurred in 2013, primarily due to an accounting adjustment in 2013 to a tax credit derived from an inspection of 2007 to 2010 by the taxation authorities. This tax inspection had a very limited impact of Euros 0.5 million on cash flows.

In November 2014 the Company contracted a new instrument to hedge interest rates for an amount of Euros 205 million at a fixed rate of 1.06%. This swap became effective on 22 December 2015 and expires on 22 December 2017.

2. Outlook

During 2014 the Company continued to operate in a fiercely competitive environment. The green shoots of recovery emerging across Europe have been tempered by the ongoing limited household spending. However, the sales policy adopted has successfully mitigated the impact of the drop in consumer spending and in certain cases, such as Portugal, the Group has outperformed the market.

However operations in Latin America have benefited from a more favourable macroeconomic environment.

In 2014 master franchise agreements were introduced in Russia and Angola.

The measures taken to improve sales and efficiency both in 2014 and in prior years have led to a partial offset of the impact of the household spending crisis and greater competition on profits and sales, and will help the Company to achieve its targets for 2015.

In 2015 the Group aims to continue to expand its activity within the macroeconomic growth scenarios expected for all the countries in which it operates.

The main risk and uncertainty surrounding the Group's activities is the trend in household spending and the restaurant sector in each country.

SPAIN

The Spanish economy shows signs of moderate recovery in 2015. Current forecasts point to GDP growth of 2.2% and a rise of 2.7% in household spending.

With these improvements on the horizon, Telepizza will benefit from the experience of recent years, when changes were made to its strategy to adapt to market conditions, and from the improvements in efficiency introduced.

In 2015 Telepizza will continue to apply a sales policy based on adapting its offer to the circumstances, as well as increasing coverage through the outlet model for smaller towns and making the most of consolidated tools such as online sales, providing greater support for mobile devices, and launching new products.

INTERNATIONAL

In 2015, Telepizza will continue to work to strengthen its position in the international markets in which it operates, calling on its experience of managing these markets and developing the master franchise formula in new markets.

All these activities will be carried out following the basic principle of profitability.

The **Portuguese** economy is expected to improve in 2015, although the market will continue to be unfavourable as a result of the impact of the austerity measures introduced by the government. Nevertheless, growth of 1.5% in GDP is expected. Telepizza hopes to repeat the positive results obtained in the prior year thanks to its commercial strategy.

Sounds levels of continued growth in GDP and household spending are forecast in Poland. GDP and consumer spending are forecast to rise by 3.2% and 3.1%, respectively, in line with 2014. Telepizza plans to continue expanding its presence in this country.

The economies of the **LatAm** countries in which the Group operates are expected to continue to witness growth of close to 4% in terms of GDP and household spending. The Group therefore expects sales to grow as a result of its activities in this region.

3. R&D&i

The Company works constantly to create, develop and improve all its products, taking consumer preferences into consideration at all times and working with optimum ingredients that enable us to provide balanced products in terms of taste and nutritional composition. Quality is a key factor in this process and rigorous control measures are followed when approving new suppliers, thereby guaranteeing maximum product and service quality to outlets.

Acceptance tests are another decisive factor in research, development and innovation work. These tests are carried out with market research companies and aim mainly to gauge customer opinion and ensure product acceptance. They also incorporate the opinions and experience of personnel from other departments in the Company, such as operations and marketing. The entire testing process is based on suggestions regarding product preparation and the names, ingredients and presentation of different products.

In 2014 Telepizza launched nine three types of pizza in Spain.

The common aim of these product launches was to reinforce the idea of variety, offering something new to consumers, as well as to provide a qualitative improvement in the range of products.

The international area benefits from research, development and innovation work performed in Spain, and also receives support in the local development and testing of products.

4. Own shares

At 31 December 2014 no Foodco Pastries Spain, S.L. shares or rights over shares were held by any Foodco Group company and, consequently, the Group has no voting or profit-sharing rights relating to own shares.

5. Significant events after 31 December 2014

No significant events have occurred subsequent to the 2014 year end that are worthy of mention at the date of this directors' report.