Frankis Group

Interim financial report 31.7.2014

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for the interim period ended 31 July 2014

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FRANKIS GROUP OYJ

INTERIM REPORT FOR PERIOD OF 1 Feb 2014 – 31 Jul 2014

Frankis Group Oyj acts as the active parent/administrator company of the Group

Corporate relations

Frankis Group Oyj (formerly Senhold 1 Oy) owned 100% of Frankis Finland Oy during the review period.
Frankis Finland Oy likewise owned 100% of Kotipizza Oyj and also Helsinki Foodstock Oy.
Furthermore the Group includes the wholly-owned Francount Oy, Domipizza Oy and Senhold 2 Oy.
No furthermore change in ownership of the Group has taken place during the review period.

Operations of subsidiaries

Kotipizza Oyj operates a pizza franchise in Finland.
Helsinki Foodstock Oy is a wholesaler whose customers include the Kotipizza chain (inter alia).
Francount Oy is an accounting company that offers bookkeeping and other accounting services for Kotipizza chain franchisees, group companies and other customers.
Domipizza had no operations during the review perioid.

At the beginning of April 2013 the Group refinanced its loans and issued a EUR 30 million bullet bond.
In consequence of the refinancing all existing loans, including accrued interests, were repaid.
The bond is unsecured and has a six-month interest period with nominal interest of 8%.
In the process the parent company became a public limited company (Oyj).
In April 2014 the bond was listed in NASDAQ OMX Stockholm.

The Group consolidated interim report is prepared in accordance with IFRS.

Frankis Group Group data (1 000 EUR) :	**1.2.-31.7.2014**	**1.2.-31.7.2013**
	Group	**Group**
	IFRS (Cont.oper.)	IFRS (Cont.oper.)
Sales turnover	26,163	27,078
Operating profit	1,841	1,363
Net result (cont.op)	175	-648
Total assets of balance sheet	52,374	51,506
Key figures Frankis Group Oyj	**Group**	**Group**
Operating profit %	7.0	5.0
Return on equity %	6.3	negative
Equity ratio %	10.6	10.1
Average number of employees	52	51
Wages and salaries	1,392	1,385
Number of shares	544,275,188	544,275,188

All shares have an equal right to recieve dividends and company assets.

Management and auditors of company

The following are members of Frankis Group Oyj's board of directors

Johan Wentzel	Chairman
Olli Väätäinen	Regular member
Rabbe Grönblom	Regular member
Kim Hanslin	Regular member
Janne Wartiovaara	Deputy member

Tommi Tervanen has been acting as Managing Director

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

No substantial changes have occurred in the company's financial position after the review period.

Kotipizza Oyj's development and future outlook
The review period was challenging with the economic situation of the country continuing to be gloomy. Consumer confidence remains unmoved and stayed well below long-time average. Competition in the Finnish pizza and fast food market increased further as new agents are entering the market in addition to existing ones.
Kotipizza's net sales came below our expectations mainly due to the decline of our store network. At the end of July 2014, we had 14 fewer Kotipizza stores than in 2013 (263 versus 277).

During review period we have actively been reshaping our strategy (marketing and store concept) in order to better support positive chain sales and store openings. Based on consumer and franchisee responses, as well as sales development, we are positive regarding the changes made.

In June, we increased our digital presence in the market by sponsoring even more YouTube networks together with popular video blogs. We also launched electronic value coupons. All the coupons are uploaded also to Instagram, which is the fastest growing new social media in Finland, especially among the young. Digital value coupons can be downloaded from our website or shown on a customer's phone screen.
By the end of June we introduced our innovative new summer campaign items: Lankku Pizzas.
Lankku pizzas are served from an actual plank of wood, which is part of the new concept of a renewed food menu that will be in stores from October 1, 2014.

Kotipizza published its second corporate social responsibility report and announced "Commitment 2020" together with the Ministry of the Environment while launching Organic Pizzas in the marketplace.

Conserning Kotipizzas international efforts, it was decided to discontinue operations in Serbia with five small roadside stores placed inside NIS gas stations. Serbia's current economical situation and consumer spending does not encourage continuing the pilot scheme longer. The discontinuation of the Serbian operations will have a positive effect on profitability going forward.

In the second half of the 2014, Kotipizza will concentrate on effective marketing activities that will generate increased customer traffic. The focus will also be on the currently agreed upon new openings. These will all be implemented based on the new concept. On October 1st, Kotipizza will introduce a new food menu, new work wear and pizza boxes that will communicate our current strong vision of a modern, fast-casual operator that introduces trendy, healthy, fresh and yet very affordable place to eat.

Helsinki Foodstock Oy's development and future outlook
The company sells and distributes foodstuff, groceries and other goods to the specific customer groups. These operations are strongly customized according to the concepts and guidance of the customer groups. The main focus of the company is on domestic markets and the practice of importing.

The Retail section of the Helsinki Foodstock business continues to grow because of marketing and advertisement of the Innocent brand represented in Finland by Helsinki Foodstock.
Sales to the foodmaking industry will continue to grow as well.
The main area of business for Helsinki Foodstock is sales and distribution to fast food chains.
Total sales of the section continues to be positive compared to last year. The driver of growth is one of the biggest customers that is growing due to the increasing number of outlets.

In general, the market continues to face challenges. People do not spend money at the same level as they used to do and there are plenty of choices available for consumers especially in the fast food market. Consumer knowledge and interest regarding responsible activities, ethical and environmental issues is growing. Ecological matters are also of interest to consumers, but the effect on purchasing behaviour has still been quite small.
Helsinki Foodstock still expects growth for total sales. Total revenue growth is not expected to meet the expectations in 2014. However, some fast food customer groups will achieve moderate revenue growth due to the increasing number of outlets.
Negotiations designed to attrract new customers are ongoing but those will not be completed this year.
In general, there is no increase for the raw material prices. According to expectations, the weakening euro rate will raise prices of raw material container freights in Q4.

As estimated at the beginning of this financial period, the risk for bad credit has increased.
This will continue in the coming periods. The situation also creates an issue for delayed payments, which has an effect on the company's cash flow. To minimize the credit risk, Helsinki Foodstock has both reorganized the finance team responsibilities and implemented new specified debt collection actions for each customer group.
The market situation increases competition and there is the risk of a lower profit margin.

Consolidated statement of profit or loss

for the interim period ended 31 July 2014

	1.2.2014-31.7.2014	1.2.2013-31.7.2013	1.2.2013-31.1.2014
	€000	€000	€000
Continuing operations			
Revenue	**26,163**	**27,078**	**53,912**
Other income	48	43	96
Change in inventory of raw materials and finished goods (+/–)	704	806	199
Raw materials and finished goods (–)	-20,743	-21,292	-40,950
Employee benefits/expenses (–)	-1,716	-1,690	-3,633
Depreciations (–)	-226	-183	-391
Impairments (–)	0		-11
Contingent consideration (-)	0	-625	-665
Other operating expenses (–)	-2,389	-2,774	-5,295
Operating profit	**1,841**	**1,363**	**3,262**
Finance income	24	31	71
Finance costs	-1,626	-1,898	-3,557
Profit / loss before taxes from continuing operations	**239**	**-504**	**-224**
Income taxes	-64	-144	-152
Profit / loss for the period from continuing operations	**175**	**-648**	**-376**
Discontinued operations			
Loss after tax for the period from discontinued operations	-31	-51	-147
Profit / loss for the year	**144**	**-699**	**-523**
Earnings per share EUR:			
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0.0003	-0.0013	-0.0010
Earnings per share EUR for continuing operations:			
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0.0003	-0.0012	-0.0007

Consolidated statement of other comprehensive income

for the interim period ended 31 July 2014

	1.2.2014-31.7.2014	1.2.2013-31.7.2013	1.2.2013-31.1.2014
	€000	€000	€000
Profit (loss) for the period	**144**	**-699**	**-523**
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	-10	2	9
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-10**	**2**	**9**
Other comprehensive income for the period, net of tax	**-10**	**2**	**9**
Total comprehensive income for the period, net of tax	**134**	**-697**	**-514**

Consolidated statement of financial position

as at 31 July 2014

	31 July 2014	31 July 2013	31 January 2014
Assets	**€000**	**€000**	**€000**
Non-current assets			
Property, plant and equipment	699	515	577
Goodwill	36,240	36,240	36,240
Intangible assets	960	671	785
Non-current financial assets	2	2	2
Non-current receivables	314	10	144
Deferred tax assets	117	154	137
	38,332	**37,592**	**37,885**
Current assets			
Inventories	3,986	3,909	3,282
Trade and other receivables	6,297	5,474	6,566
Current tax receivables	296	255	253
Prepayments	0	0	0
Cash and cash equivalents	3,463	4,276	3,255
	14,042	**13,914**	**13,356**
Assets classified as held for sale	**0**	**0**	**0**
Total assets	**52,374**	**51,506**	**51,241**

Consolidated statement of financial position

as at 31 July 2014

	31 July 2014	31 July 2013	31 January 2014
Equity and liablilities	**€000**	**€000**	**€000**
Issued capital	80	80	80
Translation differences	0	8	16
Fund for invested unrestricted equity	5,362	5,362	5,362
Retained earnings	100	-237	-55
Total equity	**5,542**	**5,213**	**5,403**
Non-current liabilities			
Interest bearing loans and borrowings	35,779	35,329	35,518
Financial liabilities at fair value through profit or loss	225	300	273
Other non-current liabilities	3,240	2,828	3,005
Deferred tax liabilities	84	152	114
	39,328	**38,609**	**38,910**
Current liabilities			
Interest bearing loans and borrowings	75	28	121
Trade and other payables	7,407	7,544	6,754
Provisions	0	15	31
Current tax liabilities	22	97	22
	7,504	**7,684**	**6,928**
Liabilities related to assets held for sale	**0**	**0**	**0**
Total liabilities	**46,832**	**46,293**	**45,838**
Total shareholders' equity and liabilities	**52,374**	**51,506**	**51,241**

Consolidated statement of changes in equity

for the interem period ended 31 July 2014

	Attributable to the equity holders of the parent				
EUR thousand	**Issued capital**	**Fund for invested unrestricted equity**	**Retained earnings**	**Foreign currency translation reserve**	**Total equity**
As at 1 February 2014	80	5,362	-55	16	5,403
Profit for the period			144		144
Other compehensive income	0	0	0	-10	-10
Total comprehensive income	0	0	144	-10	134
Issue of share capital	0	0	0	0	0
Other			11	-6	5
Dividends	0	0	0	0	0
At 31 July 2014	**80**	**5,362**	**100**	**0**	**5,542**

for the interim period ended 31 July 2013

	Attributable to the equity holders of the parent				
EUR thousand	**Issued capital**	**Fund for invested unrestricted equity**	**Retained earnings**	**Foreign currency translation reserve**	**Total equity**
As at 1 January 2013	2	5,440	454	5	5,901
Profit for the period			-699		-699
Other compehensive income		0	0	3	3
Total comprehensive income	2	0	-699	3	-696
Issue of share capital	78	-78	0	0	0
Other			8	0	8
Dividends	0	0	0	0	0
At 31 July 2013	**80**	**5,362**	**-237**	**8**	**5,213**

Consolidated statement of cash flows

for the interim period ended 31 July 2014

	31.7.2014	31.7.2013	31.1.2014
	€000	€000	€000
Operating activities			
Profit before tax	239	-504	-224
Loss for discontinued operations	-31	-51	-147
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	96	89	184
Depreciation and impairment of intangible assets	130	94	218
Contingent considerations	0	625	665
Gain on disposal of property, plant and equipment	0		0
Finance income	-24	-31	-71
Finance costs	1,626	1,898	3,557
Change in working capital:			
Change in trade and other receivables (+/–)	269	-334	-1,427
Change in inventories (+/–)	-704	-806	-199
Change in trade and other payables (+/–)	685	554	10
Change in provisions (+/–)	-31	0	16
Interest paid (–)	-1,333	-2,363	-3,690
Interest received	24	31	71
Income taxe paid (–)	-118	-226	-328
Net cash flows from operating activities	**828**	**-1,024**	**-1,365**
Investing activities			
Acquisition of subsidiaries reduced by cash and cash equivalant of exercise moment (–)	0	-313	-625
Investments for tangible assets (–)	-306	-59	-363
Investments for non-tangible assets (–)	-472	-242	-529
Repayment for loan assets	0		0
Proceeds from sale of assets-held-for-sale	0		4
Sale of property, plant and equipment	97	23	113
Net cash flows used in investing activities	**-681**	**-591**	**-1,400**
Financing activities			
Loans withdrawal	0	30,220	30,220
Loans repayments (–)	0	-27,073	-27,073
Finance lease payments (+/ –)	61	-81	48
Net cash flow from / (used in) financing activities	**61**	**3,066**	**3,195**
	208	1,451	430
Net change in cash and cash equivalents	208	1,451	430
Cash and cash equivalents at 1 February	3,255	2,825	2,825
Cash and cash equivalents at 31 July / 31 January	**3,463**	**4,276**	**3,255**

Notes to the consolidated interim report

Significant accounting policies

The interim report is prepared in accordance with the IAS 34 standard. The accounting policies are consistent with accounting policies complied with in Group's financial statement 31 January 2014.

The interim report is presented in thousands of euros unless otherwise stated.

The interim report has not been audited.

Notes to the consolidated interim report

Note 2. Segment information

For management purposes, the Group is organised into five operating segments based on the products and services as follows:
- Franchising segment, which provides services to entrepreneurs under the Group's franchises
- Kotipizza segment, which operates the group-owned Kotipizza restaurants
- Wholesale segment, which operates as a wholesaler to the Group's other business units and third parties
- Financial management services segment, which provides accounting and tax related services to the franchise entreprenuers, the Group companies and third party customers, and
- Business administration segment, which provides administrative services to the Group companies

All segments are organised as separate legal entities responsible for their own business and financial reporting. No operating segments have been aggregated to form the above reportable operating segments.

Operating segments 31.7.2014	**External Revenues**	**Internal Revenues**	**Total**	**EBITDA**
Franchising	5,508	929	6,437	2,144
Kotipizza	878		878	-173
Wholesale	19,450	396	19,846	435
Financial management services	320	248	568	-23
Business administration	7	416	423	-317
Eliminations		-1,989	-1,989	1
Total	**26,163**	**0**	**26,163**	**2,067**

Operating segments 31.7.2013	**External Revenues**	**Internal Revenues**	**Total**	**EBITDA**
Franchising	6,175	508	6,683	2,159
Kotipizza	1,459		1,459	-285
Wholesale	19,107	789	19,896	444
Financial management services	339	244	583	-38
Business administration	0	417	417	-109
Eliminations	0	-1,960	-1,960	0
Total	**27,080**	**-2**	**27,078**	**2,171**

Contingent considerations have not been included in segment EBITDA.

The assets and liabilities of operating segments are not regurlarly reported to the Chief Operating decision maker, and therefore, this information is not disclosed.

Notes to the consolidated interim report

Note 3. Discontinued operations

The discontinued operations relate to Russian operations and Domi-pizzapalat within the Kotipizza segment and Serbian operations within the franchising segment.

The Group management initiated a plan to dispose of the Serbian business on 28 May 2014. The disposal of the Russian business was completed on 29 July 2014. Disposal of the Domi-pizza business was completed during the financial year 2014.

	1.2.2014-31.7.2014	1.2.2013-31.7.2013	1.2.2013-31.1.2014
	€000	€000	€000
Revenue	0.6	16	16
Expenses	-25	-54	-133
Gross profit	**-24.4**	**-38**	**-117**
Finance costs	-7	-13	-30
Profit/(loss) for the year from a discontinued operation	**-31.4**	**-51**	**-147**
Earnings per share EUR for discontinuing operations:			
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	-0.0001	-0.0001	-0.0003

There are no assets and liabilities related to discontinued operations.

Notes to the consolidated interim report

Note 4. Employee benefits expense

	1.2.2014-31.7.2014	1.2.2013-31.7.2013	1.2.2013-31.1.2014
	€000	€000	€000
Included in cost of administrative expenses:			
Wages and salaries	1,392	1,385	2,987
Social security costs	41	18	96
Pension costs (defined contribution plans)	283	287	550
Total employee benefits expense	**1,716**	**1,690**	**3,633**

The number of Group's employees was 52 at the end of Interim period 31.7.2014.

Notes to the consolidated interim report

Note 5. Property, plant and equipment

	Property	Plant and equipment	Total
	€000	€000	€000
Cost			
At 31 January 2014	**271**	**1,760**	**2,031**
Additions	0	306	306
Disposals	0	-94	-94
Discontinued operations	0	0	0
At 31 July 2014	**271**	**1,971**	**2,242**
Depreciation and impairment			
At 31 January 2014	**-256**	**-1,198**	**-1,454**
Depreciation charge for the year	-3	-96	-99
Disposals	0	10	10
Discontinued operations	0	0	0
At 31 July 2014	**-259**	**-1,284**	**-1,543**
Net book value			
At 31 July 2014	12	687	699
At 31 January 2014	15	562	577

Notes to the consolidated interim report

Note 6. Intangible assets

	Goodwill	Intangible rights	Other long-term expenses	Total
	€000	€000	€000	€000
Cost				
At 31 January 2014	**36,264**	**322**	**1,891**	38,477
Additions	0	5	297	302
Disposals	0	-3	0	0
At 31 July 2014	**36,264**	**327**	**2,188**	**38,779**
Amortisation and impairment				
At 31 January 2014	**-23**	**-174**	**-1,254**	-1,451
Amortisation	0	-14	-113	-127
Discontinued operations	0	0	0	0
Impairment	0	0	0	0
At 31 July 2014	**-23**	**-188**	**-1,367**	**-1,578**
Net book value				
At 31 July 2014	36,240	139	821	37,200
At 31 January 2014	36,240	148	637	37,025

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

The Group has also capitalised advance payments to suppliers for intangible assets amounting to EUR 304 thousand (EUR 134 thousand at 31 January 2014). The amount relates to renewal of the Kotipizza concept which was accounted for as work in progress as at 31 January 2014 and also at 31 July 2014.

Notes to the consolidated interim report

Note 7. Inventories

	31.7.2014	31.7.2013	31.1.2014
	€000	€000	€000
Raw materials (at cost)	3,398	2,826	2,555
Work in process (at cost)	295	536	409
Finished goods (at cost or net realisable value)	293	547	318
Total inventories at the lower of cost and net realisable value	**3,986**	**3,909**	**3,282**

At 31 July 2014 the write-downs of inventory amounted to EUR 29 thousand and at 31 July 2013 EUR 14 thousand (at the year ended 31 January 2014 EUR 118 thousand). The write-downs are included in the change in inventories in the statement of profit or loss.

Notes to the consolidated interim report

Note 8. Financial liabilities

Interest-bearing loans and borrowings

	Effective interest rate	Maturity	31.7.2014	31.1.2014
	%		€000	€000
Other current loans				
Car installment credits		12 months	75	121
Total current interest-bearing loans and borrowings			**75**	**121**
Non-current interest-bearing loans and borrowings				
Bond issue	9.024	3.4.2016	29,629	29,476
Other non-current loans				
Car installment credits		over 12 months	264	156
Loans from the group companies	7.00	1.12.2017	2,943	2,943
Loans from the other related parties	7.00	1.12.2017	2,943	2,943
Total non-current interest-bearing loans and borrowings			**35,779**	**35,518**
Total interest-bearing loans and borrowings			**35,854**	**35,639**

Bond

The bond is unsecured and has 6-month interest period with nominal interest of 8%.
The effective interest rate of the bond is 9.024%. The bond was listed in NASDAQ OMX Stockholm at April 2014.

Other loans

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

Other financial liabilities

	31.7.2014	31.12014
	€000	€000
Financial liabilities at fair value through proftit or loss		
Derivatives not designated as hedges		
Interest rate swap contracts	225	273
Total financial liabilities at fair value through profit or loss	**225**	**273**
Total other financial liabilities	**225**	**273**

Other financial liabilities include an interest rate derivative contract that is not designated as a hedging instrument. The contract with the nominal amount of EUR 6.7 million will expire in September 2016.

Notes to the consolidated interim report

Note 9.

Carrying amounts of financial assets and liabilities by category
Values at 31 July 2014

Balance sheet item, EUR 1,000	Financial assets/ liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets						
Non-current receivables		314			314	314
Non-current financial assets			2		2	2
Current financial assets						
Trade and other receivables		6,297			6,297	6,297
Cash and cash equivalents		3,463			3,463	3,463
Carrying amount by category	**0**	**10,074**	**2**	**0**	**10,076**	**10,076**
Non-current financial liabilities						
Interest-bearing liabilities				35,779	35,779	35,699
Derivative financial instruments	225				225	225
Other non-current liabilities				3,240	3,240	3,240
Current financial liabilities						
Interest-bearing liabilities				75	75	75
Trade and other payables				7,407	7,407	7,407
Carrying amount by category	**225**	**0**	**0**	**46,501**	**46,726**	**46,646**

Values at 31 January 2014

Balance sheet item, EUR 1,000	Financial assets/ liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets						
Non-current receivables		144			144	144
Non-current financial assets			2		2	2
Current financial assets						
Trade and other receivables		6,566			6,566	6,566
Cash and cash equivalents		3,255			3,255	3,255
Carrying amount by category	**0**	**9,965**	**2**	**0**	**9,967**	**9,967**
Non-current financial liabilities						
Interest-bearing liabilities				35,518	35,518	35,597
Derivative financial instruments	273				273	273
Other non-current liabilities				3,005	3,005	3,005
Current financial liabilities						
Interest-bearing liabilities				121	121	121
Trade and other payables				6,754	6,754	6,754
Carrying amount by category	**273**	**0**	**0**	**45,398**	**45,671**	**45,750**

Non-current receivables comprise advance payments for intangible assets. Non-current receivable are measured at amortized cost.

Other non-current liabilities comprise collateral debts and interest payables.

AFS investments include investments in non-listed financial assets.
AFS investments are measured at cost as their fair value cannot be reliably measured in the absence of an active market.

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

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

-The fair value of financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

-The Group enters into derivative financial instruments principally with financial institutions with investment grade credit ratings institutions. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

-Fair values of the Group's interest-bearing borrowings are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Notes to the consolidated interim report

Note 10. Fair value measurement

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

Quantitative disclosures fair value measurement hierarchy for assets as at 31 July 2014:

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€000	€000	€000	€000
Assets measured at fair value:	31 July 2014				
			0	0	0
Liabilities measured at fair value:	31 July 2014				
Derivative financial liabilities					
Interest rate swaps				225	
Liabilities for which fair values are disclosed (Note 9):					
Interest-bearing loans and borrowings					
Fixed rate borrowing				35,699	

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

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

Financial assets measured at fair value		Total	Level 1	Level 2	Level 3
	31 January 2014	€000	€000	€000	€000

Financial liabilities measured at fair value		Total	Level 1	Level 2	Level 3
	31 January 2014	€000	€000	€000	€000
Derivative financial instruments					
Interest rate swaps				273	
Liabilities for which fair values are disclosed (Note 9):					
Interest-bearing loans and borrowings					
Fixed rate borrowing				35,597	

Notes to the consolidated interim report

Note 11. Commitments and contingencies

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

Future minimum rentals payable under non-cancellable operating leases as at the end of reporting date:

	31.7.2014	31.1.2014
	€000	€000
Within one year	16	35
After one year but no more than five years	30	37
More than five years	0	0
	46	72

Legal claim contingencies
The bankruptcy estate of RG Line Oy Ab has presented Francount Oy, a subsidiary of the Group, a recovery claim of EUR 97,614.26. At the time of the financial statement of 31 January 2014, the claim was pending in the district court. The recovery claim is now agreed and withdrawn by the claimant.

Repurchase commitments and secondary liabilities
The repurchase commitments and secondary liabilites are part of the franchising business.

	31.7.2014	31.1.2014
	€000	€000
Repurchase commitments	430	385
Secondary liabilities	54	69

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

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

	31.7.2014	31.1.2014
Commitments	€000	€000
Rental guarantees	552	552
Bank guarantees	420	420
Counter-guarantees: pledged deposits and business mortgages, guarantees		
Pledged deposits	539	544
Business mortgages	2000	2000
Guarantees	420	420

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

	31.7.2014	31.1.2014
	€000	€000
Guarantees	735	897

Notes to the consolidated interim report

Note 12. Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% of equity interest 31.7.2014	31.1.2014
Frankis Finland Oy	Holding company	Finland	100 %	100 %
Francount Oy	Accounting services	Finland	100 %	100 %
Domipizza Oy	Fast food	Finland	100 %	100 %
Senhold 2 Oy	Holding company	Finland	100 %	100 %
Kotipizza Oyj	Fast food and franchising	Finland	100 %	100 %
Helsinki Foostock Oy	Food and beverages wholesale	Finland	100 %	100 %
Kotipizza SPb LLC	Fast food and franchising	Russia	--	100 %

The ultimate control of the Group

The parent company of the Group, Frankis Group Oyj, is 72.72% owned and thus controlled by one of the funds managed by Sentica Partners Oy. Other owners are Ab R. Grönblom International Ltd (20%) and board members and management of the Group (7.28%).

The Russian subsidiary's Kotipizza SPb LLC liquidation process was completed on 29 July 2014.

Notes to the consolidated interim report

Note 13. Issued capital and reserves

Thousand EUR	Number of shares (1 000)	Issued capital	Fund for invested unrestricted equity	Total
At 1 January 2014	544,275	80	5,362	5,442
Share issue	0	0	0	0
At 31 July 2014	544,275	80	5,362	5,442

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

As at 31 July 2014	Available for-sale reserve	Foreign currency translation reserve	Retained earnings	Total
	€000	€000	€000	€000
Foreign exchange translation differences	0	-10	0	-10
	0	-10	0	-10

As at 31 July 2013	Available for-sale reserve	Foreign currency translation reserve	Retained earnings	Total
	€000	€000	€000	€000
Foreign exchange translation differences	0	2	0	2
	0	2	0	2

There has been no dividend distribution in the Group during the interim period.

Notes to the consolidated interim report

Note 14. Related party transactions

Note 12 above provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant interim period.

		Interest paid	Amounts owed to related parties	Purchases from related parties
		€000	€000	€000
Key management personnel of the Group	31.7.2014	0	16	
	31.1.2014	110	16	
Other related parties	31.7.2014	0	3,628	
	31.1.2014	304	3,526	
Controlling entities	31.7.2014	0	3,704	
	31.1.2014	778	3,602	
Companies controlled by board members				
	31.7.2014			111
	31.1.2014			156

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

Notes to the consolidated interim report

Note 15. Earnings per share

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

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

	31.7.2014	31.7.2013	31.1.2014
	€000	€000	€000
Profit attributable to ordinary equity holders of the parent			
Continuing operations	175	-648	-376
Discontinued operations	-31	-51	-147
Profit attributable to ordinary equity holders of the parent for basic earnings	**144**	**-699**	**-523**
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**144**	**-699**	**-523**

	31.7.2014	31.7.2013	31.1.2014
Weighted average number of ordinary shares for basic earnings per share	544,275,188	544,275,188	544,275,188
Effect of dilution: none			
Weighted average number of ordinary shares adjusted for the effect of dilution	544,275,188	544,275,188	544,275,188

There have been no other transactions involving ordinary shares or potential ordinary shares after the reporting date.

Calculation of Key Figures

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

Return on equity % = $\frac{\text{Net result} * 2}{\text{Equity}} * 100$

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

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