



13 June 2014

Cooks Global Foods Limited reports strong foundations for growth

Preliminary Results for the year ended 31 March 2014

Cooks Global Foods Limited (NZX: CGF) today reports good progress on laying the foundations for its future growth since completing the October 2013 transformation of the company. This included, amongst other transactions, acquiring the Esquires global IP and international brand rights excluding Canada, Australia and New Zealand.

The company recorded an unaudited operating net loss of \$2.8 million for the year ended 31 March 2014, compared with a pre-transformation operating net profit of \$1.2 million for the year ended 31 March 2013.

As expected, significant non-recurring costs relating to the reverse listing, the acquisition transactions and building the required infrastructure in the business were incurred during the period. The financial statements are in the process of being audited and are subject to change during this process. In particular intangibles remain subject to impairment testing and may change.

Commenting on the result, Cooks Food Group Chairman Keith Jackson said: "Undergoing such a significant transformation has produced the results we anticipated. This is an exciting time for Cooks and now that the foundations are in place for the business through the successful acquisition executions, we are looking ahead to expanding our footprint in the jurisdictions in which we operate as well as investigating new territories."

Company transformation

During the year, Cooks Global Foods Limited acquired Franchise Development Limited, the franchise operating companies Esquires Coffee (UK) Limited and Esquires Coffee Houses Ireland Limited, and the business and assets of Scarborough Fair and Progressive Processors. The businesses were paid for through a combination of cash and shares and at the same time all term debt within Cooks was converted to equity.

The transactions were detailed in the Notice of Meeting and listing profile and were unanimously approved at a Meeting of Shareholders held in Auckland on 1 October 2013. As a result, most of the revenues reported for the 2014 financial year relate to the period 1 October 2013 to 31 March 2014 while the significant set-up and restructuring costs were incurred in the full 12 months ended 31 March 2014.

Subsequent to completing the above transactions, Cooks acquired the business and assets of Design Environments and the rights to the Esquires intellectual property in Canada. This was followed by the signing of a separate Master Franchise Agreement in Kuwait as well as Master Franchise Agreements in Oman and Qatar.

The Scarborough Fair and Progressive Processors businesses provide complementary products with the potential to integrate more fully into the supply chain network of Esquires Coffee Houses globally.

Design Environments, acquired in January 2014, will enable the business to meet the design needs of its projected growth and strengthen its client base. The company has a long standing relationship with Esquires having designed interiors for the coffee chain for a decade.

Cooks acquired the Esquires Canadian intellectual property rights in April this year from the original Esquires franchisor founded in 1993. The arrangement means that Cooks licenses back to Esquires Canada the right to use the IP for nine existing Esquires Coffee House stores in British Columbia and also for the purpose of an existing provincial licencee for Alberta.

Financial and operational overview

For the year ended	31 Mar 2014 (unaudited) \$'000	31 Mar 2013* \$'000
Operating Income	4,440	1,501
Operating Net Profit / (Loss)	(2,845)	1,162
Cash flows from operating activities	(1,768)	(241)
Basic earnings per share (cents)	(2.11)	4.32

* Note: Comparative figures are not meaningful as the operating activities of Cooks Global Foods changed completely, effective 1 October 2013. Income from 2013 related entirely to the reversal of previously capitalised interest on loans (non-trading activity).

Total operating revenue for the year ended 31 March 2014 was \$4.4 million, derived primarily from Esquires Coffee House revenues of \$3.4 million with revenues from the Supply Division, which includes the Scarborough Fair and Progressive businesses, of \$1.0 million. Cash out flows from operating activities were \$1.8 million reflecting some of the one-off costs incurred in the period.

Much of the first six months of the transformed Cooks was occupied with consolidating the various companies into the group and undertaking a number of “back of house” activities such as developing integrated reporting systems to provide consistent data from all companies and regions. The company is also in the process of appointing new managers in key company and global positions.

Store overview

Number of cafes by country	31 March 2014	31 March 2013	Opened/ (closed)
UK	27	28	(1)
Ireland	5	5	-
China	14	7	7
Saudi Arabia	9	7	2
Bahrain	2	1	1
UAE	3	2	1
Kuwait	2	0	2
TOTAL	62	50	12

Note that Canada is excluded from the above as the business was acquired post balance date. The figures at 31 March 2013 are for comparative purposes only as CGF group did not own the global franchise until October 2013.

Since becoming part of CGF group in October, Esquires has opened five stores in China, four in the Middle East and a store in Ireland. As at 31 March 2014, Esquires had 62 Coffee Houses worldwide. The stores are based in the UK, Ireland, Middle East and China. The strength of the brand has already resulted in incoming queries for establishing a presence in other territories.

Sales across the store network were pleasing and the brand is resonating with customers around the world. Ireland store turnover was particularly pleasing and the large stores in China are producing excellent results. Meanwhile growth in the Middle East is positive with expansion in progress. Results from the UK business were mixed, but the company is confident investments in staff, development of new income streams and cost rationalisation will deliver improvements in the coming year.

The company has also focused effort on reinvigorating the international Esquires brand to bring a consistent and contemporary look and feel to the brand. This has now been completed and is in the process of being rolled out internationally as part of a planned refurbishment programme.

Capital Raising

During the year, Cooks raised a total of \$5 million in equity from qualified investors. Subsequent to year end, the company continued to raise capital, including via the Share Purchase Plan (SPP) which had the objective of giving all shareholders the opportunity to partake in the company's growth. Through strong shareholder support, the company raised capital of approximately \$2 million subsequent to year end.

Governance

CGF's directors as at 31 March 2014 were Keith Jackson, Andrew Kerslake, Mike Hutcheson, Stuart Deeks, Lewis Deeks and Norah Barlow. Graeme Lee joined the Board in May 2014.

Outlook

"Having completed the acquisitions outside of Australasia, the foundations of Cooks are now in place and the business is focused on achieving revenue growth through boosting current sales, opening new stores and investigating new territories," Mr Jackson said.

"Cooks Global Foods Group has twelve stores currently under construction or design. In the Gulf Cooperation Council (GCC) countries alone, the company has commitments for more than 80 Esquires Coffee Houses, ten of which are expected to open this year. Operating in a high growth sector with strong brand recognition, the Cooks model allows for rapid growth in turnover and store numbers with minimal capital requirements and low exposure to risk."

"After a period of consolidation and integration the company is now poised to move forward and to aggressively build the network throughout the world in a planned and positive manner," Mr Jackson said.

Ends

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About Cooks Global Foods

Cooks Global Foods operates in world markets and is listed on the New Zealand Stock Exchange under the code CGF. It owns the intellectual property and master franchising rights to Esquires Coffee Houses worldwide excluding New Zealand and Australia. CGF's Esquires currently operates coffee houses in Canada, the United Kingdom and Ireland, the Middle East and China. Related businesses within the group include New Zealand-based supply companies Progressive Processors Ltd and Scarborough Fair Limited which supply product into both Esquires stores and other third party customers.

Cooks Global Foods Limited	
Results for announcement to the market	
Reporting Period	12 months to 31 March 2014
Previous Reporting Period	12 months to 31 March 2013

UNAUDITED

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ4,440	195%
Profit (loss) from ordinary activities after tax attributable to security holder	\$NZ(1,886)	(252%)
Net profit (loss) attributable to security holders	\$NZ(2,845)	(345%)

Interim/Final Dividend	Amount per security	Imputed amount per security
No dividends or distributions were paid or are planned	N/A	N/A

Record Date	Not Applicable
Dividend Payment Date	Not Applicable

Comments:	<p>This has been a transitional year for Cooks – moving from a position last year when it had no business activities, having divested of them in the past, to a position during the year of acquiring a number of companies in New Zealand and offshore. These acquisitions primarily related to Esquires Coffee Houses but also included the acquisition of the business and assets of Scarborough Fair and Progressive Processors.</p> <p>This unaudited preliminary announcement reflects less than 6 months trading for most of the businesses acquired. As a result of the acquisitions there have been additional costs over and above normal operating costs relating to integrating these businesses within the group, refreshing the brand where necessary and pursuing growth opportunities on the back of the businesses acquired. Full details are provided within the preliminary announcement.</p> <p>Given the significant change from last year, comparisons with the prior year are not meaningful. Last year's income related entirely to the reversal of previously capitalised interest on loans (non-trading activity).</p>
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Cooks Global Foods Limited
Unaudited Income Statement
For the Twelve month period to 31st March 2014

	Twelve months to 31st March 2014 \$000's	Twelve months to 31st March 2013 \$000's
Operating Income	4,440	1,501
Cost of Sales	(1,779)	0
Gross Profit	2,661	1,501
Less Costs	(5,298)	(261)
Other Income	49	0
EBITDA	(2,588)	1,240
Depreciation, Amortisation & Impairment	(171)	0
EBIT / (Loss)	(2,759)	1,240
Net Interest	(86)	(78)
Operating Net Profit / (Loss)	(2,845)	1,162
Earnings per Share (cents per share)	(2.11)	4.32

Unaudited Statement of Movements in Equity
For the Twelve month period to 31st March 2014

\$000's	Twelve Months to 31st March 2014 \$000's	Twelve Months to 31st March 2013 \$000's
Equity at the Beginning of the Period	(3,661)	(5,317)
Net Surplus / (Deficit) for the period	(2,845)	1,162
Transactions with owners	23,191	494
Equity at End of Period	16,685	(3,661)

**Unaudited Balance Sheet
As at 31st March 2014**

\$000's	As at 31st March 2014 \$000's	As at 31st March 2013 \$000's
Current Assets		
Cash	1,683	259
Trade Receivables	908	1,470
Inventories	298	0
Other Current Assets	1,995	15
Total Current Assets	4,884	1,744
Non Current Assets		
Property, Plant & Equipment	925	0
Goodwill	17,838	0
Trademarks & IP	1,333	0
Other Assets	340	84
Total Non Current Assets	20,436	84
Total Assets	25,320	1,828
Current Liabilities		
Trade Creditors	1,195	250
Bank OD	1,390	0
Loans	1,250	5,203
Current Tax Liabilities	163	1
Other Current Liabilities	3,377	35
Total Current Liabilities	7,375	5,489
Non Current Liabilities		
Other Liabilities	1,260	0
Total Non Current Liabilities	1,260	0
Total Liabilities	8,635	5,489
Net Assets	16,685	(3,661)
Net Assets per Share (cents)	12.37	(13.61)
Net Tangible Assets per Share (cents)	(1.84)	(13.61)
Earnings per Share (cents)	(2.11)	4.32
Shareholders Equity		
Share Capital – Opening Equity	(3,661)	(5,317)
Profit / Deficit	(2,845)	1,162
Transactions with owners	23,191	494
Shareholders Equity	16,685	(3,661)

**Unaudited Statement of Cash Flows
For the Twelve months ended 31st March 2014**

Cash Flow from Operating Activities

\$000's	Twelve months to 31st March 2014	Twelve months to 31st March 2013
Receipts from Customers & Others	5,092	-
Payment to Suppliers and Employees	(6,562)	(162)
Other Cash Flows relating to Operating Activities	(298)	(79)
Net Operating Cash Flows	(1,768)	(241)

Cash Flow from Investing Activities

\$000's	Twelve months to 31st March 2014	Twelve months to 31st March 2013
Purchase of business assets	(1,641)	(1,242)
Net Investing Cash Flows	(1,641)	(1,242)

Cash Flow from Financing Activities

\$000's	Twelve months to 31st March 2014	Twelve months to 31st March 2013
Issue of Shares	2,193	494
Borrowings	1,250	1,606
Repayment of Borrowings	0	(361)
Net Financing Cash Flows	3,443	1,739

Net Increase (Decrease) in cash held: \$34

Cash at beginning of period \$259

Cash at the end of the period \$293

Unaudited Notes to and Forming Part of the Financial Statements For the Twelve month period ended 31st March 2014

Reporting Entity

The reporting entity is Cooks Global Foods Limited (the "Parent"). The "Group" comprises the Parent and its subsidiaries.

The unaudited financial statements included in this report are for the Group.

Statement of Compliance

The Parent is a profit oriented entity registered in New Zealand under the Companies Act 1993. The Parent is an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

Basis of Preparation

The financial statements have been prepared on the basis of historic cost. Cost is based on the fair value of the consideration given in exchange for the assets. Accounting standards are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability thereby ensuring that the substance of the underlying transactions or other events is reported.

Key Accounting Policies

Intangible Assets

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets, acquired at the time of acquisition of a business or an equity interest in a subsidiary or associate company. Goodwill is tested annually for impairment.

Impairment

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Share Capital

Balance at end of the period

- Ordinary Shares

244,916,009

New Entities Acquired

<u>Name of Entity</u>	<u>Date of Acquisition</u>
Franchise Development Limited	15/10/2013
Esquires Coffee (UK) Limited	15/10/2013
Esquires Coffee Houses Ireland Limited	15/10/2013
Lighthouse Ventures Pty Limited (now Scarborough Fair Food Pty Limited)	17/10/2013

Franchise Development Limited contributed a net gain of \$37k from ordinary operating activities towards the total group result for the year ended 31 March 2014. Previous results for the company for the year ended 31 March 2013 were a net gain of \$334k.

Esquires Coffee (UK) Limited contributed a loss of \$375k from ordinary operating activities towards the total group result for the year ended 31 March 2014. Previous results for the company for the year ended 31 March 2013 were a net loss of \$334k.

The Group also acquired the net assets and business of Scarborough Fair Limited (effective 17/10/13); Progressive Processors Limited (effective 15/10/13); and Design Environments (Auckland) Limited (effective 20/01/14).

Capital Commitments, Contingent Liabilities

There were no capital commitments or contingent liabilities as at 31st March 2014

Cyclical Nature of Operations

The Parent had, prior to the current year, divested of its business assets and was not operating in the normal way. The financial statements for the twelve months ended 31st March 2014 reflect a year during which the Parent has made a number of significant business acquisitions, the majority of which have been operating within the Group for less than six months.

Statutory Audit

These financial statements are subject to completion of the audit.