



14 June 2015

Cooks Global Foods Limited reports year of continued global expansion

Preliminary Results for the year ended 31 March 2015

Cooks Global Foods Limited (NZX: CGF) today reports continued progress on the global roll out of its Esquires Coffee Houses and a solid performance from its Scarborough Fair and Progressive Processors businesses. In addition to the opening of 14 new Esquires stores during the year ended 31 March 2015, the company acquired the rights to the Esquires intellectual property in Canada from the original Esquires franchisor founded in 1993 and signed master franchise agreements with commitments to open new stores in a number of new jurisdictions including Indonesia and Cyprus.

Cooks has also strengthened its presence in China through the acquisition of the master franchise for the country and the vendor – Yunnan Metropolitan Investment Company (YMCI) – taking a 15.75% shareholding in Cooks. Via its master franchisee Beijing Esquires Management Co., Cooks also agreed joint ventures to roll out stores in the Shandong and Hunan provinces with major local companies who are involved in supermarkets and ownership of shopping malls in their respective provinces.

The company recorded an unaudited operating loss of \$3.7 million for the year ended 31 March 2015, compared with a restated operating loss of \$3.9 million for the year ended 31 March 2014¹. After amortisation of intangible assets and finance costs, the loss after income tax attributable to shareholders was \$4.0 million for the 2015 financial year, compared to a restated loss of \$5.1 million for the prior year. In consultation with our auditors, the prior year figures have been restated - both the operating loss and the loss after tax attributable to shareholders were previously recorded as \$2.8 million. The net result of this restatement in last year's financial statements is that Intangible Assets are now recorded as \$4.0 million (previously \$19.2 million) as at 31 March 2014 with much of this adjustment reducing shareholder equity.

Commenting on the result, Cooks Food Group Chairman Keith Jackson said: "Cooks is a company in a growth phase. Through Esquires, we are on a pathway to becoming the number one global Fairtrade and Organic coffee retailer. The significant operational milestones in the 2015 year have produced the results we anticipated. We expanded our footprint in the jurisdictions in which we operate and we successfully negotiated new territories."

Financial Overview

Total revenue for the year ended 31 March 2015 was \$8.9 million, up from \$4.4 million in the prior year¹. Revenue was derived primarily from Esquires Coffee House revenues of \$6.7 million with revenues from the Supply Division, which includes Scarborough Fair's beverage products and Progressive's kiwifruit and asparagus products, of \$2.2 million.

¹The 2015 results are not directly comparable with the prior year as the 2014 results reflect a full year contribution from Franchise Development Limited (the group of companies owning the intellectual property and master franchise rights to Esquires Coffee Houses worldwide, other than in Australia and New Zealand) and a six month contribution for the remainder of entities within the group.

Esquires recurring revenues are generated through royalty payments from stores, owned coffee house revenue and branded product sales. Non-recurring revenues are derived from store opening fees and design fees. When 2014 revenue is adjusted to enable comparison with the full year in 2015, income from royalties increased by 22% and product sales increased by 5%. Product sales are affected by timing differences in the placement of large orders, especially those relating to China, which boosted 2014 sales volumes but resulted in lower sales volumes in 2015. Retail sales in owned stores were impacted by the sale of the Durham store and its conversion to a franchise outlet and the inclusion of Chinese owned stores from 1 January 2015 onwards.

Cash and cash equivalents were \$4.5 million at 31 March 2015 mainly as a result of refinancing occurring as part of the purchase of the Chinese Master Franchise business. Earnings per share were \$(1.17) compared to \$(2.08) in the prior year reflecting the restated impairment of intangible assets in the prior year.

Following the appointment last year of PwC as our auditors, they undertook a review of the opening balances focusing on the major acquisition transactions entered into in October 2013. This review highlighted that certain prior year accounting treatments may not have been appropriate. As announced to the market in March of this year, a process then commenced to determine both the accounting treatments that should have been adopted, as well as the financial impact on the prior year financial statements.

This process has now been largely completed and has confirmed that the accounting treatments adopted, particularly in relation to the acquisition of Franchise Development Limited, were not appropriate and as a result the opening balances have been restated. The most significant adjustment is the de-recognition of goodwill relating to the acquisition of Franchise Development Limited. This transaction is now being treated as a share based payment under NZ IFRS 2, rather than a business combination under NZ IFRS 3. As commented in the previous announcement, this adjustment is a technical accounting matter only and has no impact on the underlying trading results or the cash position of Cooks Global Foods Limited.

Certain adjustments have also been made with respect to the treatment of the acquisitions of Esquires Coffee UK Limited, Esquires Coffee Houses Ireland Limited and Progressive Processors Limited to reflect the terms and conditions of the sale and purchase agreements as well as associated impairment considerations. These adjustments also do not affect the underlying trading results nor the cash position of the Group.

This process of review of our financial statements is part of a journey, initiated last year with the appointment of PwC as our auditors, to enhance governance of the Group and pursue best practice in all aspects of business activity.

The financial statements are in the final stages of being audited and are subject to change during this process however it is not expected that there will be any further material adjustments.

Esquires Coffee House - stores overview

During the year, Esquires continued its expansion in China and the Middle East with a net increase of seven and six stores in each region respectively including new stores in Kuwait, Bahrain and a first international airport store at Jeddah. As at 31 March 2015, Esquires had 70 Coffee Houses worldwide. Same store average annual sales across the store network were higher than the previous year. The improvement was primarily from the stores in Asia but the continued high contribution per store from

Ireland generated through complementary food sales over and above beverages was particularly pleasing. Several stores in the UK and Ireland benefited from the roll-out of Esquires new brand, which in line with the antipodean café model, emphasises fairness, integrity, passion, excellence, innovation, sustainability and community along with Esquires long-standing Organic & Fairtrade principles. Shortly after year end Cooks agreed an Esquires Coffee master franchise for Egypt and signed a new joint venture in Hunan province in China to establish a regional master franchise. Additionally new stores have opened in Ireland and in the UK since balance date.

Outlook

“Having completed a number of master franchise agreements, we look forward to the opening of Esquires stores in these new territories and expanding our footprint where we already operate. Cooks currently has 22 stores under construction or design with the immediate goal of having 125 stores by 31 March 2016,” Mr Jackson said.

“Pleasingly, the Esquires rebrand is resonating offshore with the rollout in the UK, Ireland, Middle East and China taking effect and we have already seen positive results in same store sales increases. In addition, new markets are due to open in Indonesia in June with two new stores scheduled as well as the anticipated store construction in our recently negotiated provinces in China.

“Cooks’ differentiated attributes support a transferable and scalable global business model and the business is focused on achieving revenue growth through boosting current sales, opening new stores and investigating new territories. Operating in the solid growth coffee retail sector, Cooks sees significant opportunities to export New Zealand's café culture into new markets and existing markets.” Mr Jackson said.

Ends

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About Cooks Global Foods

Cooks Global Foods operates in world markets and is listed on the NZAX market operated by NZX Limited in New Zealand under the code CGF. It owns the intellectual property and master franchising rights to Esquires Coffee Houses worldwide excluding New Zealand and Australia. Esquires currently operates or franchises coffee houses in the United Kingdom, Ireland, the Middle East and China. Related businesses within the group include New Zealand-based supply companies Progressive Processors and Scarborough Fair, which supply product into both Esquires stores and other third party customers. See: www.cooksglobalfoods.com

(CGF) : Cooks Global Foods Limited		
Results for announcement to the market		
Reporting Period	12 months to 31 March 2015	
Previous Reporting Period	12 months to 31 March 2014	
	Amount (\$NZ)	Percentage change
Revenue from continuing ordinary activities	\$8,931	101.2%
Net loss attributable to security holders	(\$3,989)	21.6%
	Amount per security	Imputed amount per security
Final Dividend	-	-
No final dividend has been declared for this reporting period. CGF has no dividend reinvestment plan currently in operation.		
Record Date	N/A	
Dividend Payment Date	N/A	
Comments:		
Refer to commentary in attached release.		

B: Cooks Global Foods Limited
Preliminary announcement for the year ended 31 March 2015

Preliminary **full year** report on consolidated results (including the results for the previous corresponding full year) in accordance with Listing Rule 10.4.2.

The reporting entity is Cooks Global Food Limited (the "company"). The "Group" comprises the company and its subsidiaries. The **unaudited** financial statements included in this report are for the Group.

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

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on **unaudited** financial statements.

The accounting policies used in the preparation of these financial statements are consistent with those used in the interim financial statements for the six months ended 30 September 2014 and in the audited financial statements for the year ended 31 March 2014.

The Listed Issuer has a formally constituted Audit & Risk Committee of the Board of Directors.

C: Consolidated Statement of Comprehensive Income

	<u>Unaudited</u> <u>Mar-15</u> <u>\$NZ</u>	<u>Favourable/ Unfavourable</u> <u>%</u>	<u>Restated</u> <u>Mar-14</u> <u>\$NZ</u>
Revenue	8,931		4,439
Other income	271		49
Cost of material	(2,856)		(1,779)
Depreciation	(345)		(171)
Property related costs	(892)		(616)
Capital raising costs	0		(304)
Acquisition costs charged to expenses	(235)		(1,470)
Other expenses	(8,564)		(4,092)
Operating loss	(3,690)		(3,944)
Impairment/Amortisation of intangible assets	(82)		(1,055)
Finance costs	(217)		(86)
Loss before income tax	(3,989)	21.6%	(5,085)
Income tax expense	0		0
Loss after tax attributable to the shareholders	(3,989)		(5,085)
Other comprehensive income net of tax	21		0
Total comprehensive loss for the year	(3,968)	22.0%	(5,085)

No.

No.

Total number of shares in issue

338,353,651

244,916,009

Weighted average number of shares in issue

285,084,176

244,916,009

Cents

Cents

Earnings Per Share:

Basic

(1.17)

(2.08)

Diluted

(1.17)

(2.08)

D: Consolidated Statement of Financial Position	Unaudited Mar-15 \$NZ	Favourable/ Unfavourable %	Restated Mar-14 \$NZ
Assets			
Current Assets			
Cash and cash equivalents	4,505		1,683
Inventories	974		298
Trade and other receivables	1,499		567
Other short-term assets	1,701		931
Assets classified as available-for-sale	305		0
Current tax assets	26		176
Current assets	9,010	146.5%	3,655
Non Current Assets			
Property, plant and equipment	1,105		945
Investments	0		305
Deferred tax assets	68		0
Other long-term financial assets	246		(45)
Non-current assets	1,419	17.8%	1,205
Total tangible assets	10,429	114.6%	4,860
Intangible assets	10,584	164.2%	4,006
Total assets	21,013	137.0%	8,866
Liabilities			
Current Liabilities			
Trade payables	2,269		1,543
Bank Overdraft	1,198		1,390
Current tax liabilities	67		147
Other liabilities	6,262		3,508
Current Liabilities	9,796	-48.7%	6,588
Non-Current Liabilities			
Other liabilities	3,492		1,302
Non-current liabilities	3,492	-168.2%	1,302
Total liabilities	13,288	-68.4%	7,890
Net assets	7,725	-691.5%	976
Equity			
Share capital	26,426		15,709
Accumulated losses	(18,722)		(14,733)
Other reserves	21		0
Total equity attributable to equity holders of the Company	7,725	691.5%	976
Net tangible assets per share	Cents 3.1		Cents 2.0

E: <u>Statement of Changes in Equity</u>	Unaudited Mar-15 \$NZ	Favourable/ Unfavourable %	Audited Mar-14 \$NZ
Loss for the year	(3,989)		(5,085)
Increase in issued share capital	10,717		9,722
Foreign currency translation reserve movement	21		0
Movements in equity for the year	6,749		4,637
Equity at start of the year	976		(3,661)
Equity at end of the year	7,725	691.5%	976

F: <u>Consolidated Statement of Cash Flows</u>	Unaudited Mar-15 \$NZ	Favourable/ Unfavourable %	Audited Mar-14 \$NZ
Loss for the year	(3,989)		(5,085)
Add/(Less):			
Items classified as investing/financing			
Interest cost	183		86
Capital raising cost	0		264
Add non-cash items:			
Depreciation	345		194
Management fees paid by share issue	0		326
Provision for doubtful debt	205		0
Impairment/Amortisation of intangible assets	82		1,055
Add/(Less) movements in working capital:	628		2,590
Net cash flow applied to operating activities	(2,546)		(570)
Net cash from/(applied) to investing activities	(2,748)		(2,574)
Net cash flow from financing activities	8,287		3,178
Net increase in cash held	2,993		34
Opening bank balance	293	13.1%	259
Effect of exchange rate changes on foreign currency balances	21		0
Closing bank balance	3,307	1028.7%	293
Made up as follows:			
Cash and cash equivalents	3,307	1028.7%	293

G: Material Acquisition of Subsidiaries

The company acquired Beijing Esquires Management Co., Limited on 31/12/2014.

Beijing Esquires Management Co., Limited contributed a loss of \$585k from ordinary operating activities, for the three months January to March 2015, towards the total group result for the year ended 31 March 2015.

H: Material Disposal of Subsidiaries

N/A

I: Material Investment in Jointly Controlled Entity

N/A

J: Issued and Quoted Securities at End of Current Period

Category of Securities Issued	Number	Quoted
ORDINARY SHARES:		
Total number of shares in issue	338,353,651	338,353,651
Issued during the current period	93,437,642	93,437,642

K: Comments by Directors

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

- (a) Material factors affecting the revenues and expenses of the group for the current full year or half year

Refer to commentary in attached release.

- (b) Significant trends or events since the end of the current full year or half year

Refer to commentary in attached release.

- (c) Changes in accounting policies since last Annual Report and/or last Half Yearly to be disclosed

None.

- (d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgements and estimates about matters that are inherently uncertain.

Intangible Assets; Impairment

- (e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty.

Refer to commentary in attached release.

- (f) Segment information - The Group operates Esquires Coffee Houses globally and a Supply business (Tea, Coffee, Beverages, Fresh Produce). The Esquires business has two main sources of income: Retail Sales from owned stores (United Kingdom and China); and Royalties from and Product Sales to Franchisees (United Kingdom, Ireland, Middle East and China). Refer to commentary in attached release for further detail.