



COOKS GLOBAL FOODS LIMITED

ANNUAL REPORT
31 MARCH 2019

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Executive Chairman's Report

Cooks has over the last year continued to make progress putting its operations on a long-term footing. We have delivered strong growth in our global coffee operations; however, the gains have been diluted by restructuring initiatives and changes in reporting standards as we drive towards positive cashflow and earnings.

Revenue for the 12 months to 31 March 2019 fell 11.8% to \$5.9 million from \$6.7 million in the same period a year ago. Revenue was supported by a 10.9% increase in constant currency sales from the global coffee store network to \$49.3 million from \$44.5 million in the same period a year ago as store numbers expanded from 93 to 117.

The gains were offset by restructuring initiatives aimed at building growth momentum, including changes to the structuring of royalty programmes in the United Kingdom. The gains were also masked by new accounting standards that require Cooks to recognise revenue from new franchise agreements across the life of the agreement rather than in the year they are received. The 2018 financial year's figures have not been restated to reflect these changes.

Net losses before tax from continuing operations increased to \$4.8 million from \$1.6 million in the same period a year ago, reflecting lower revenue, costs associated with new initiatives to drive growth in the UK and Europe, a non-cash share of the Chinese associate's losses and write off's associated with the company's Romanian operations.

Higher finance and legal charges and costs associated with the proposed but ultimately unsuccessful acquisition of the Mojo chain of coffee stores towards the end of the half year also weighed on earnings.

During the second half of the year the company focused on strengthening the core businesses in UK and Ireland, which collectively generated more than 70% of the group's total revenue in 2019. The UK business was reorganised with a focus on developing regional master franchisees and the strengthening of operational management. To date two regions have been sold and the results are beginning to show through with faster growth in the current financial year as local developers ramp up activity.

As signalled at the half year, the focus on the core business saw Cooks withdraw from the external design market and the closure of the Design Environments business. We are now focussed exclusively on internal design for our own franchised cafes and we are seeing cost savings from these initiatives flowing through to our results in the current financial year.

STATEMENT OF FINANCIAL POSITION

Cooks fully repaid its debt facilities with ANZ in early April with the majority repaid before 31 March 2019. At the end of the financial year the company had bank debt of \$0.15 million down from \$1.2 million at the same time last year.

Borrowings increased to \$5.7 million from \$3.1 million at the same time a year ago and include loans from entities associated with Keith Jackson as well as certain convertible loan notes. Cooks continues to pursue alternative funding options to better reflect the appropriate mix of equity and debt requirements for the business.

CHINA BUSINESS CARRYING VALUE

Following discussions with the Financial Markets Authority, Cooks commissioned an independent valuation of the Chinese associate company, which valued Cooks' 21% stake at between \$5.6 million and \$6.8 million.

This figure is well in excess of the \$2.7 million carrying value in the company's accounts. However, the Board resolved not to adjust the value at this time.

NZX MIGRATION AND GOVERNANCE

Cooks migrated to the NZX on 24 June 2019 and believes the move will help to lift its profile and boost liquidity in our shares. The approval follows the appointment of Paul Elliot to the board as an independent non-executive director.

Mr Elliot has a strong financial background and has served as a Director of both publicly listed and privately held companies. He has held several senior executive positions including Chief Financial Officer with major New Zealand corporates and is a welcome addition to the board.

Meanwhile the board would also like to thank the Cooks team for the considerable efforts of the last year especially during the recent restructure.

OUTLOOK

Directors are confident about the prospects for the business in the year ahead.

Recent restructuring initiatives began to deliver real benefits in the second half of the 2019 financial year and are continuing into the new financial year. We expect these improvements to build momentum and drive Cooks towards generating positive cash flow and earnings.

BUSINESS PERFORMANCE

THE UNITED KINGDOM

UK store numbers increased to 41 at the end of March up from 35 at the same time a year ago. Meanwhile, constant currency coffee store sales for the year increased 17% to \$20.6 million from \$17.6 million in the same period a year ago. The region also saw a 10% increase in transaction volumes and a 7% increase in average transaction values.

The UK business has a new strategy to establish regional franchises and as part of this, it has restructured the regional franchise fee and royalty schedule to better incentivise franchisees.

This change – coupled with the change in accounting standard - has had a short-term effect of lowering Cooks revenues in the UK segment, which fell to \$2.6 million from \$3.0 million in the same time a year ago. However, over the longer term, the royalty changes are projected to significantly accelerate revenue and profit growth.

Operating losses in the UK division were \$0.8 million, down from an operating profit of \$0.2 million in the same period a year ago. In addition to the change in the royalty schedule and the accounting standards, the fall reflected the costs associated with the opening of a company-owned flagship store in Putney in South West London.

The store has a strong local community engagement, and a high level of food focus. It is setting the standard for Esquires in the UK. It also serves as a hub for regional training and administration.

EUROPE (IRELAND)

Constant currency total store sales in the region were \$16.4 million, 19.4% ahead of the same period a year ago. This result was driven by 16% growth constant currency store sales in Ireland itself as three new stores came on stream late in the period.

Cooks revenue in the European segment increased to \$1.2 million from \$1.0 million in the same period a year ago, despite the change to the accounting standards.

However, the gains were diluted by difficulties in the Romanian business where the regional franchisee has failed to live up to expectations. Consequently, the region posted an operating loss of \$0.2 million compared to an operating profit of \$0.2 million in the same period a year ago.

GLOBAL

Constant currency sales of the Esquires Coffee store network included in the global segment increased 5.6% to \$9.4 million from \$8.9 million in the same period a year ago. Strong gains in the Middle East and Asia were offset by weakness in Canada. Pakistan had a positive first year of operations and is cautiously expanding.

Cooks operating revenue in the segment fell from \$1.9 million to \$1.4 million, with the fall largely due to the revenue accounting standard. The global business posted an operating loss of \$0.1 million compared to an operating profit of \$0.4 million in the same period a year ago, again reflecting the change to the accounting standard.

SUPPLY AND CORPORATE

Revenue at the supply businesses was largely flat on the same period a year ago at \$0.8 million with strong gains in revenue in the new carbon-neutral Grounded coffee brand offset by weakness in Scarborough Fair's other brands. The Crux supply business also recorded weaker sales, and this was due largely to the timing of shipments to and from its customers offshore.

Operating losses rose to \$0.35 million compared to \$0.30 million at the same time a year ago with the increase relating to investment in the Grounded coffee brand. Corporate costs rose by 12% to \$1.6 million from \$1.4 million last year, due to the costs associated with the planned acquisition of Mojo.

CHINA

The Chinese business is now treated as an equity-accounted associate. Cooks has an effective 21% stake in the business and booked a \$0.4 million non-cash share of the venture's losses for the year.

After a long period of reorganisation momentum is building in China. In the three-month period to the end of March 2019 the Chinese business opened 21 outlets, all of which were the new

style 'express' outlets. Total outlets at the end of the period increased to 31 from 18 at the same time a year ago.

ESQUIRES OPERATING METRICS

12 MONTHS TO 31 MARCH 2019

TOTAL NETWORK	2019	2018	VARIANCE
Esquires Coffee Store sales	NZ\$49,328,111	NZ\$44,485,097	10.9%
Transactions	4,662,293	4,446,587	4.9%
Average transaction value	NZ\$10.54	NZ\$9.99	5.4%
SAME STORE	2019	2018	VARIANCE
Esquires Coffee Store sales	NZ\$ 40,020,966	NZ\$39,680,969	0.9%
Transactions	3,806,872	3,558,325	7.0%
Average transaction value	NZ\$10.51	NZ\$11.15	-5.7%

STORE NUMBERS

	THIRD QUARTER STORE CHANGES				MAR 2018
	DEC 2018	OPENED	CLOSED	MAR 2019	
UK	40	1	0	41	35
Canada	2	0	0	2	2
Asia	21	21	8	34	18
Europe	17	0	0	17	14
Middle East	24	0	1	23	25
TOTAL	104	22	9	117	93

GLOSSARY OF TERMS USED RELATING TO ESQUIRES OPERATING METRICS:

Constant Currency:

All references to sales and transaction values are constant currency. This means prior year figures are converted at the same exchange rate as the current year to eliminate the effects of foreign exchange rate fluctuations.

Network (Store) Sales:

Total store sales are the aggregate of sales of all Esquires branded coffee stores, whether franchised or partially/fully owned, across the company's global brand network. Cooks derives income from its franchised stores from franchise related fees, primarily related to these sales levels as well as store sales for those stores directly owned by the company, except in China.

Total network store sales, therefore, have a correlation to the portion of revenue earned by Cooks Global Foods relating to recurring franchise fees. Chinese sales are also indicative of the potential value residing in the Chinese venture. However, total network sales are not and should not be confused with

the revenue of Cooks Global Foods which is reported in its financial statements as the two do not directly correlate.

Same Store Sales:

Same store sales are the aggregate of all Esquires-branded coffee stores, whether franchised or owned across the company's global brand network that have been operational for at least a full two-year period for the purposes of like-for-like comparison between current and prior periods.

The metric measures the improvement in existing store sales within the brand network, excluding new stores opened in the previous 24 months. Same store sales are not the same as revenue in the financial statements for Cooks Global Foods group but can indicate stable revenue growth in the brand network.

Transactions:

Transactions relate to the total individual transactions, which occur within Esquires branded coffee stores, whether franchised or owned. A transaction is defined as a single financial transaction for food, beverage or product that is processed through the point-of-sale system within a coffee store.

Average Transaction Value:

Average transaction values are derived by dividing total Esquires coffee store sales by total transactions recorded over the period.

Total (Store) Network:

All stores whether owned, (in full or as part of an associate, such as in the case of the China business), or franchised, which operate under a brand owned by companies within the Cooks Global Foods

Directors' report

The directors of Cooks Global Foods Limited are pleased to present to shareholders the Annual Report and consolidated financial statements for Cooks Global Foods Limited and its controlled entities (together the "Group") for the year ended 31 March 2019.

The directors are responsible for presenting consolidated financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 31 March 2019 and their financial performance and cash flows for the year ended on that date.

The directors consider that the consolidated financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Reporting Act 2013.

The directors consider they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors note that there were no material changes in the nature of the business undertaken by the Company in the past year.

Going Concern

The directors consider that using the going concern assumption is appropriate having reviewed cash flow projections of the Group which are based on several key assumptions such as the outcome of current funding discussions.

Greater detail of the going concern assumptions and the cash generating initiatives currently underway are detailed in Note 4 of the consolidated financial statements.

Donations & Audit Fees

The Group made no donations during the past year. Amounts paid to BDO Auckland for audit and other services are shown in Note 21 of the consolidated financial statements.

Other Statutory Information

Additional information required by the Companies Act 1993 is set out in the Regulatory Disclosures and Shareholder Information sections.

The directors present the consolidated financial statements set out in pages 11 to 56, of Cooks Global Foods Limited and its controlled entities for the period 1 April 2018 to 31 March 2019.

The Board of Directors of Cooks Global Foods Limited authorised these consolidated financial statements for issue on 8 August 2019.



Keith Jackson
Executive Chairman



Paul Elliot
Director

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF COOKS GLOBAL FOODS LIMITED**

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Cooks Global Foods Limited (“the Company”) and its controlled entities (together, “the Group”), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

(a) Going Concern

As disclosed in Note 4 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on a number of assumptions as set out in Note 4 and includes the ability of related parties to continue to provide funding as required. As these assumptions give rise to multiple uncertainties for which the outcomes, their possible interaction and cumulative effect on the consolidated financial statements are unknown, we were unable to obtain sufficient appropriate audit evidence to support the viability of the underlying assumptions in Note 4, and upon which to form an opinion as to whether the application of the going concern assumption in the preparation and presentation of the consolidated financial statements is appropriate.

(b) Investment in Associate

The Group’s investment in Shanghai Yinshi Food and Beverage Management Company Limited (“the Associate”), a foreign associate and accounted for by the equity method, is carried at \$2,688,000 on the consolidated statement of financial position as at 31 March 2019, and the Group’s share of the Associate’s net loss of \$399,000 is included in the Group’s consolidated statement of profit or loss for the year then ended. The Directors were unable to gain access to the underlying books and records of the Associate. We were unable to obtain sufficient appropriate audit evidence to support the carrying amount of the Group’s investment in the Associate as at 31 March 2019, the Group’s share of the Associate’s net loss for the year, and related disclosures. Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary.

(c) Adoption of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

The Group’s has adopted IFRS 15 from 1 April 2018. The impact of the adoption is disclosed in Note 3.4 and the revenue recognition policies are disclosed in Note 3.9 to the consolidated financial statements. The Group’s assessment of the impact was incomplete and did not provide sufficient analysis of the standard and its contracts with customers. We were unable to obtain sufficient appropriate audit evidence to support the impact of the adoption of IFRS 15 and the appropriateness of the revenue recognition policies adopted. Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary.

We consider the impact of the above matters to be material and pervasive to the consolidated financial statements of the Group.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing (New Zealand) and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Blair Stanley.



BDO Auckland
Auckland
New Zealand
8 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

		31-Mar 2019 \$'000	Restated 31-Mar 2018 \$'000
Continuing operations			
Revenue	5	5,936	6,728
Other income		103	37
Raw materials and consumables used		(1,171)	(1,069)
Depreciation and amortisation	15,16	(264)	(244)
Property related costs		(719)	(475)
Net foreign exchange (losses)/gains		(238)	655
Employee costs	6	(3,085)	(3,018)
Other expenses	7	(4,219)	(3,505)
Operating loss		(3,657)	(891)
Finance costs	8	(753)	(449)
Share of net loss of associate accounted for using the equity method	14.2	(399)	(279)
Loss before income tax		(4,809)	(1,619)
Income tax expense	9	(4)	-
Loss for the year from continuing operations		(4,813)	(1,619)
Net loss for the year from discontinued operations	13.2	-	(2,243)
Net loss for the year		(4,813)	(3,862)
Loss attributable to:			
- Shareholders of the parent		(4,803)	(3,731)
- non-controlling interests		(10)	(131)
		(4,813)	(3,862)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Change in foreign currency translation reserve		150	(1,072)
Change in share based equity reserve	19.3	575	339
Exchange differences on translation of discontinued operations	13.2	-	416
Other comprehensive income after tax		725	(317)
Total comprehensive loss for the year		(4,088)	(4,179)
Attributable to:			
- Shareholders of the parent		(4,078)	(4,387)
- non-controlling interests		(10)	(131)
		(4,088)	(4,518)
Loss from discontinued operations attributable to:			
- Shareholders of the parent	13	-	(2,120)
- non-controlling interests	13	-	(123)
		-	(2,243)
Loss per share:			
Basic and diluted loss per share (New Zealand Cents) from continuing and discontinued operations:	19.2	(0.98)	(0.79)
Basic and diluted loss per share (New Zealand Cents) from continuing operations:	19.2	(0.98)	(0.27)

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Notes	Attributable to Equity holders of the Company					Restated	
		Share Capital \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Accumulated Losses \$'000	Total \$'000	Non-controlling interest \$'000	Total Equity \$'000
Balance at 1 April 2017		37,875	755	-	(38,804)	(174)	371	197
Adjustment to share based equity reserve	19.3	-	-	1,249	-	1,249	-	1,249
Comprehensive loss for the year								
Loss for the year		-	-	-	(3,731)	(3,731)	(131)	(3,862)
Other comprehensive income								
Items that may be subsequently reclassified to profit or loss:								
Change in foreign currency translation reserve		-	(656)	-	-	(656)	-	(656)
Change in share based payment reserve		-	-	339	-	339	-	339
Total comprehensive income/(loss) for the year		-	(656)	339	(3,731)	(4,048)	(131)	(4,179)
Transactions with owners of the Company								
Issue of ordinary shares	19	4,642	-	-	-	4,642	-	4,642
Ordinary shares to be issued	19	170	-	-	-	170	-	170
Total contributions by owners of the Company		4,812	-	-	-	4,812	-	4,812
Non-controlling interests fund's introduced		-	-	-	-	-	83	83
Non-controlling interests disposed of		-	-	-	-	-	(391)	(391)
Total non-controlling interests		-	-	-	-	-	(308)	(308)
Balance at 31 March 2018		42,687	99	1,588	(42,535)	1,839	(68)	1,771
Balance at 1 April 2018		42,687	99	1,588	(42,535)	1,839	(68)	1,771
IFRS 15 Revenue adjustment to Accumulated Losses	3.4	-	-	-	(1,212)	(1,212)	-	(1,212)
Adjusted balance at 1 April 2018		42,687	99	1,588	(43,747)	627	(68)	559
Comprehensive loss for the year								
Loss for the year		-	-	-	(4,803)	(4,803)	(10)	(4,813)
Other comprehensive income								
Items that may be subsequently reclassified to profit or loss:								
Change in foreign currency translation reserve		-	150	-	-	150	-	150
Change in share based payment reserve	19.3	-	-	575	-	575	-	575
Total comprehensive income/(loss) for the year		-	150	575	(4,803)	(4,078)	(10)	(4,088)
Transactions with owners of the Company								
Ordinary shares to be issued	19	(170)	-	-	-	(170)	-	(170)
Total contributions by owners of the Company		(170)	-	-	-	(170)	-	(170)
Balance at 31 March 2019	19	42,517	249	2,163	(48,550)	(3,621)	(78)	(3,699)

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2019

		31-Mar 2019 \$'000	Restated 31-Mar 2018 \$'000
Assets			
Current Assets			
Cash and cash equivalents	10	450	714
Trade and other receivables	11	296	2,760
Inventories	12	219	154
Other current assets	11	761	616
Current Assets		<u>1,726</u>	<u>4,244</u>
Non-Current Assets			
Intangible assets	15	2,842	2,948
Property, plant and equipment	16	787	359
Investments accounted for using the equity method	14.2	2,688	3,087
Other non-current financial assets		15	15
Non-current assets		<u>6,332</u>	<u>6,409</u>
Total Assets		<u>8,058</u>	<u>10,653</u>
Liabilities			
Current Liabilities			
Trade and other payables	17	4,565	4,604
Bank overdraft	10	148	1,180
Contract liabilities		163	-
Borrowings and other liabilities	18	5,514	2,737
Current liabilities		<u>10,390</u>	<u>8,521</u>
Non-Current Liabilities			
Contract liabilities		1,146	-
Borrowings and other liabilities	18	221	361
Non-current liabilities		<u>1,367</u>	<u>361</u>
Total Liabilities		<u>11,757</u>	<u>8,882</u>
Net Assets		<u>(3,699)</u>	<u>1,771</u>
Equity			
Share capital	19.1	42,517	42,687
Accumulated losses		(48,550)	(42,535)
Foreign currency translation reserve		249	99
Share based equity reserve		2,163	1,588
Equity attributable to owners of the parent		<u>(3,621)</u>	<u>1,839</u>
Non-controlling interests		(78)	(68)
Total equity		<u>(3,699)</u>	<u>1,771</u>



Director



Director

The consolidated financial statements were approved for issue for and on behalf of the Board as at 8 August 2019.

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		5,893	8,066
<i>Cash was applied to:</i>			
Interest cost		(289)	(423)
Payments to suppliers & employees		(8,008)	(9,067)
Net cash applied to operating activities	22	<u>(2,404)</u>	<u>(1,424)</u>
Investing activities			
<i>Cash was applied to:</i>			
Net cash disposed on de-recognition		-	(193)
Purchase of property, plant and equipment		(194)	(135)
Payment for funds owed for business acquisitions		-	(137)
Net cash applied to investing activities		<u>(194)</u>	<u>(465)</u>
Financing activities			
<i>Cash was provided from:</i>			
Proceeds from borrowings		3,259	1,650
Proceeds from share issue		1,139	2,679
<i>Cash was applied to:</i>			
Repayment of borrowings		(1,032)	(1,262)
Net cash provided from financing activities		<u>3,366</u>	<u>3,067</u>
Net increase/(decrease) in cash and cash equivalents held			
		768	1,178
Cash & cash equivalents at beginning of the year		(466)	(1,644)
Cash & cash equivalents at end of the year	10	<u>302</u>	<u>(466)</u>

This statement should be read in conjunction with the notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Nature of operations

Cooks Global Foods Limited and its controlled entities (the Group) principal activity is the food and beverage industry.

2. General information and statement of compliance

Cooks Global Foods Limited is the Group's ultimate parent company, is incorporated and domiciled in New Zealand and is listed on the NZX Alternate Market board of the New Zealand stock exchange.

The address of its registered office and its principal place of business is 3 City Road, Auckland, New Zealand.

Cooks Global Foods Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The consolidated financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Alternative Market Listing Rules.

The consolidated financial statements comprise the Company, its controlled entities and its associates (together the "Group"). See Note 3.4.

For the purposes of complying with NZ GAAP, the Group is a Tier 1 for-profit entity. The Company's consolidated financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). They comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRIC interpretations.

The information in the consolidated financial statements is presented in New Zealand dollars which is the functional currency of the ultimate parent company. Amounts in the consolidated financial statements have been rounded off to the nearest thousand, or in certain cases, the nearest dollar.

The consolidated financial statements for the year ended 31 March 2019 were approved and authorised for issue by the Board of Directors on 8 August 2019.

3. Summary of accounting policies

3.1. Going concern

The directors have prepared the consolidated financial statements on the going concern basis. In doing so significant judgement has been applied. For further details of these assumptions and other associated material uncertainties refer to Note 4.

3.2. Overall considerations

The principal accounting policies applied in the preparation of these financial statements are set out in the accompanying notes where an accounting policy choice is provided by NZ IFRS, is new or has changed, is specific to the Group's operations or is significant or material.

These policies have been consistently applied to all the years presented, unless otherwise stated.

Notes to the Consolidated Financial Statements

The consolidated financial statements have been prepared using the historic cost basis with the exception of financial assets and liabilities which are carried at fair value through the profit or loss. The measurement bases are more fully described in the accounting policies below.

3.3. New standards, amendments and interpretations

The Group has applied the following standards for the first time for their annual reporting period commencing 1 April 2018; NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers. Impact of the adoption of these standards is covered in more detail below, see Note 3.4.

The following standard has been published but is not yet effective, and has not been early adopted by the Group:

NZ IFRS 16: Leases

NZ IFRS 16 Leases (Effective date: periods beginning on or after 1 January 2019) replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on Statement of Financial Position) and an operating lease (off Statement of Financial Position). NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' (ROU) for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets.

From the date of adoption, the Statement of Profit or Loss and Other Comprehensive Income will also be impacted by the removal of operating lease expenses, the recognition of an interest expense applicable to the future lease payment obligations and the recognition of a depreciation expense in respect of the ROU asset.

NZ IFRS 16 will change the accounting for the Group's operating leases and recognition, measurement and presentation of certain amounts recognised in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income. As at reporting date, the Group had non-cancellable operating lease commitments of \$23.7 million (See Note 20). Upon adoption, NZ IFRS 16 will have a material impact on a number of elements of the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income. There will also be an impact to both operating and financing activities within the Group cash flow statement, although there is no impact to the net movement on the Group's cash flows.

In relation to the new standard, the company is evaluating its particular lease structure within the UK and Ireland businesses whereby the Esquires businesses normally hold store leases in their name as the head lessee, with all the associated risks and obligations. They then enter into sub-lease arrangements with the franchisees which mirror the risks and obligations of the head lease agreement. All rental, OPEX and other associated property costs are passed onto the sub-tenant so that the position in terms of cash flow is neutral apart from occasional timing differences.

The Group will introduce a technology solution to calculate the full quantitative impact of IFRS 16 on the existing leases as at 1 April 2019, being the date of adoption, to assist in providing calculations showing the financial impact of the new standard for future reporting periods.

Management are required to make various key judgements, including:

- Incremental borrowing rate (IBR) used to discount the ROU assets and the future lease payment obligations;
- lease terms including any potential rights of renewals;

Notes to the Consolidated Financial Statements

- foreign exchange conversion rates; and
- Application of practical expedients and recognition exemptions allowed by the new standard, including in respect of low value assets and short-term lease exemptions.

The new standard allows a choice of transition methods. Management has determined that the most appropriate approach for the Group is to use the modified retrospective approach method. Using this transition method allowed the Group to retrospectively value the ROU asset on a lease by lease basis. The impact on the Statement of Financial Position is approximately \$18.7 million increase in lease liabilities, a \$19.3 million increase in ROU assets, resulting in a \$0.6 million adjustment to equity. The future lease liability will be significantly higher than the lease commitments disclosed in Note 20 primarily due to management decisions regarding rights of renewals expected to be exercised and the discount rate used on future lease payment obligations.

The financial impact on the Statement of Profit or Loss and Other Comprehensive Income for the year of adoption is estimated to be an approximate reduction in the operating result of \$134,000. This is made up of the following estimated differences:

- A \$3.057 million decrease in operating lease rental expenses (removed);
- A \$1.880 million increase in depreciation (relating to the ROU asset); and
- A \$1.043 million increase in interest expense (relating to lease liability finance costs).

There will be no change applicable to the Group's cash flows as a result of adopting the new standard, as operating lease payments will continue to be paid as usual. However, due to classification changes both the operating and financing activities within the cash flow statement will be affected. The adjustments above are only for financial reporting purposes.

The estimated potential financial adjustments above are expected to be different from the result as new leases are entered into, current lease payments are re-negotiated, expectation of exercising rights of lease renewals change and the IBR used is updated.

3.4.Changes in accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018.

There were two new standards applied during the year. This note explains the impact of the adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2018.

Impact on the financial statements

The Group has elected to adopt the new accounting standards with cumulative transition adjustments being recognised in the opening equity balance at transaction date. As a result, comparative information has not been impacted and has not been restated, in line with the permitted transitional provisions.

The following tables show the adjustments recognised for adoption of the new standards.

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Equity reconciliation	\$'000
Closing accumulated losses at 31 March 2018	(42,535)
IFRS 15: Deferral of revenue on sale of master franchise agreements	(1,212)
Opening accumulated losses at 1 April 2018	(43,747)

NZ IFRS 9: Financial Instruments

NZ IFRS 9 Financial Instruments (NZ IFRS 9) replaces NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial liabilities and impairment of financial assets. The Group transitioned to NZ IFRS 9 with a date of initial application of 1 April 2018. This resulted in changes to accounting policies and the classification of financial instruments. No material adjustments were raised.

The new accounting policies are set out in Note 3.13. In accordance with the transitional provisions in NZ IFRS 9, comparative figures have not been restated.

The adoption of NZ IFRS 9 has the following impact on the classification within the financial statements. Amounts previously disclosed as loans and receivables (cash and bank balances, trade receivables and other current assets) have been reclassified to the amortised cost category. Refer to Note 28. No financial liabilities that are held by the Group were impacted by the adoption of NZ IFRS 9. NZ IFRS 9 replaces the 'incurred loss' impairment model in NZ IAS 39 with an 'expected credit loss' (ECL) model. The ECL model requires an entity to account for the ECL and changes in those ECLs at each reporting date to reflect changes in the credit risk since initial recognition. The Group has applied the simplified impairment model and has recognised the lifetime ECL on its financial assets.

The transition to the standard has not had any material impact on the financial position and financial performance in the current year, or the respective prior year comparatives.

NZ IFRS 15: Revenue from Contracts with Customers

NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15) replaces NZ IAS 18 Revenue. This resulted in changes to accounting policies. The new accounting policies are set out in Note 3.9. The Group transitioned to NZ IFRS 15 with a date of initial application of 1 April 2018. The Group applied the modified retrospective approach to transition. This means that any adjustments arising from adoption are recognized in the opening accumulated loss of the Group at the date of adoption. Comparative amounts are not restated.

In summary, the following adjustments were made to the amounts recognised in the accumulated losses at the date of initial application (1 April 2018):

	IAS 18 carrying amount 31 March 2018 \$'000	Re-measurements restated through accumulated losses \$'000	IFRS 15 carrying amount 1 April 2018 \$'000
Contract liabilities	-	1,212	1,212

Change in timing of revenue recognition

Revenue for the sale of master and local franchises by the Group was previously recognised when the sale of a franchise was unconditional. The new standard requires that the Group recognizes revenue as it satisfies a performance obligation (such as training and operational support) as identified in the contract over the course of what is normally longer than a single accounting period. It satisfies that performance obligation by delivering the promised services

Notes to the Consolidated Financial Statements

(or goods) to the franchisee over the life of the franchise agreement or the relevant timeframe as specified in the contract. Revenue relating to franchise agreements will therefore be spread over the period during which those performance obligations are satisfied, duly accounting for the delivery of such service where it is not evenly spread over the contracted period of performance.

NZ IFRS 2 (amendments): Classification and Measurement of Share-Based Payment Transactions

The Group has also applied NZ IFRS 2 (amendments): Classification and Measurement of Share-Based Payment Transactions for the first time for the year ended 31 March 2019. This application did not have a material impact on the consolidated financial statements.

3.5. Basis of consolidation

The Group consolidated financial statements consolidate those of the parent company and all its controlled entities as of 31 March 2019. The Group controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the consolidated financial statements of controlled entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of controlled entities acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3.6. Investments in associates

Associates are those entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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3.7. Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction).

Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the NZD are translated into NZD upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into NZD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into NZD at the closing rate. Income and expenses have been translated into NZD at the average rate (the use of average rates is appropriate only if rates do not fluctuate significantly) over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

3.8. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the IRD. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis and, except for the GST components of investing and financing activities, are disclosed as operating cash flows.

3.9. Revenue

Revenue arises mainly from the sale of food and beverage products from our artisan style coffee stores that the Group owns directly and from franchise and royalty arrangements that it has in place with franchise holders.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when and as its performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, or when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Notes to the Consolidated Financial Statements

The transaction price for a contract excludes any amounts collected on behalf of third parties.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position.

Goods sold

The Group is in the business of providing artisan style coffee solutions to its customers and franchisees. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer or franchisee at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Management has determined the performance obligation to deliver the food & proprietary products is completed when control of goods passes to customer, revenue is recognised at this time.

Royalty income from Franchise or Master Franchise Agreements (MFAs)

The Group recognises royalty revenue derived from its Franchises and MFAs at a point in time, based on sales that are reported back to Company on a monthly basis for sales that occurred in that month. Payment is received on a monthly basis.

Franchise fees

The Group recognises revenue derived from its franchise operations on a straight-line basis over a period of time that the franchise agreement is in place, which is generally 10 years. This is the period of time over which the performance obligation is satisfied. Payment is received upfront upon signing the franchise contract.

The transaction price includes a variable price consideration for the possible transfer of franchise rights. This is unknown until and if the transaction is completed. Given the high uncertainty of this transfer, the transaction price for franchise contract is not adjusted for these transferred franchise rights.

Other revenue

Other revenue includes services to independent franchisees or other third parties received by the Group. Other revenues are recognised when reliable estimates of the amounts due to the Group are deemed to be highly probable.

Significant financing components

Using the practical expedient in NZ IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The accounting policies prior to 1 April 2018, which relate to the comparative numbers, were as follows.

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to

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the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timings of the transfers of risk and rewards vary depending on the individual terms of the sales agreement.

Royalty income

Royalty income, which is generally earned based upon a percentage of sales and is recognised on an accrual basis.

Other revenue

Other revenue represents services to independent franchisees or other third parties. Services revenue is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3.10. Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to or claims from Tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in controlled entities is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other

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comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.11. Employment benefits

Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Short-term employee benefits

Short-term employee benefits, including annual leave entitlement, are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

3.12. Impairment testing of other intangible assets, property, plant and equipment and investments in associates

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. Any reversal of an impairment loss will be limited to what the carrying amount would have been, net of depreciation or amortisation, if no impairment had taken place. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units is charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.13. Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

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Financial assets

On adoption of NZ IFRS 9 from 1 April 2018, the Group classifies its financial assets as those to be measured at amortised cost (loans, receivables and non-derivative financial instruments), and those to be measured at fair value either through OCI or through profit or loss.

Financial assets that are stated at amortised cost are reviewed individually at balance date. In relation to the impairment of financial assets, NZ IFRS 9 requires an expected credit loss model ('ECL') as opposed to an incurred credit loss model under NZ IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets i.e. a credit event does not have to have occurred before credit losses are recognised.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade receivables and other debtors, which are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, cash and cash equivalents, loans and borrowings (initially recognised at fair value plus transaction costs and subsequently measured at amortised cost), and creditors and accruals which are initially recognised at fair value and subsequently measured at amortised cost.

Derivative financial instruments

The Group holds derivative financial instruments to manage the exposures that arise due to movements in foreign currency exchange rates and interest rates arising from operational, financing and investment activities.

Interest income and expense

Interest income and expenses are reported on an accrual basis using the effective interest method.

The accounting policies prior to 1 April 2018, which relate to the comparative numbers, were as follows.

Financial instruments

Classification

The group classifies its financial assets as loans and receivables.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' (see Note 10 and 11).

(c) Financial liabilities at fair value through profit or loss

Financial liabilities are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss, other than those identified in Note 29.

Notes to the Consolidated Financial Statements

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost less impairment using the effective interest method.

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method or measured at fair value through profit and loss.

Financial assets measured at amortised cost (loans and receivables) are assessed at each reporting date to determine whether there is objective evidence for an impairment. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

3.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.15. Intangible assets

Recognition of intangible assets

Acquired intangible assets

Trademarks, global IP rights and rights acquired in a business combination that qualify for separate recognition are initially recognised as intangible assets at their fair values.

Subsequent measurement

Intangible assets not of an indefinite life are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3.12. The following useful lives are applied:

- Trademarks: 10-20 years
- Reacquired rights: 10 - 20 years

Amortisation has been included within depreciation and amortisation.

Intangible assets (Global IP rights) of an indefinite life are tested for impairment annually by comparing their carrying amount with their recoverable amount. An estimate of an assets recoverable amount made in a preceding period may be used in the impairment test for that asset in the current period provided certain criteria are met.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

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3.16. Property, plant and equipment

Property, plant and equipment (comprising fittings and furniture, plant and equipment and motor vehicles) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model: cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The following useful lives are applied:

- Computer equipment: 2-5 years
- Furniture and fittings: 3-12 years
- Plant and equipment: 3-12 years
- Motor vehicles: 5-8 years.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

3.17. Operating leases

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Lease incentives received are recognised in the profit or loss over the lease term as an integral part of the total lease expense.

3.18. Equity, reserves and dividend payments

Share capital represents the fair value of shares on issue that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising on the translation of consolidated financial statements of the Group's foreign entities into NZD (see Note 3.6),
- Accumulated losses include all current and prior period results,
- Non-controlling interests.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

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3.19. Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses as follows:

Going concern

The considered view of the Board of Directors of the Company is that, after making enquiries, we have a reasonable expectation that Cooks Global Foods Limited (the Company) and Group have access to adequate resources to continue operations for the foreseeable future. For this reason, the Board of Directors considers the adoption of the going concern assumption in preparing the consolidated financial statements for the year ended 31 March 2019 to be appropriate. (See Note 4).

Embedded Derivatives

Where the cash flows required by a contract can be modified by financial or non-financial variables, the Directors have assessed the fair value of the embedded derivative conversion features of convertible notes. Estimation uncertainty relates to assumptions and judgements used as disclosed in Note 29.

China Business

The Directors assessed the fair value at initial recognition on 1 October 2017 in accordance with New Zealand equivalent to International Financial Reporting Standard 13 (NZ IFRS 13), Fair Value Measurement. When determining whether fair value at initial recognition equals the transaction price, the Directors took into account factors specific to the transaction and the assets and liabilities including: the existence of independent, arms-length parties; neither party under duress or force of circumstances and the transaction taking place in the most advantageous market for the business sale. The Board has considered impairment indicators at 31 March 2018 and 31 March 2019 and take the position that based on a review of all relevant factors, no impairment in the carrying value of its investment in the associate is warranted at this time. A third-party valuation expert, Censere Group Limited (Censere), based in Hong Kong completed their valuation of Cooks 21% equity interest in the China Associate in April 2019 as pertaining to fair value as at 31 March 2018. See Note 14.2.

Impairment testing of intangible assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on various valuation models as deemed appropriate. Estimation uncertainty relates to assumptions and judgements used as disclosed in Note 15.

Carrying value of receivables

The Group performs ongoing reviews of the bad debt risk within its receivables and makes provisions to reflect its views of the financial condition of its customers and their ability to pay in full for amounts owing for goods provided. This determination requires significant judgement. In making this judgement, the Group evaluates amongst other factors whether there is objective evidence of significant financial difficulty of the customer or other party, whether there has been breach of contract such as default in payment terms, whether it has become probable that the customer or other party will enter into bankruptcy or other financial reorganisation, the disappearance of an active market for that customer because of financial difficulties, and national or local economic conditions that could impact on the customer (see Notes 11 and 27.2).

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Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (See Note 9).

4. Going Concern

The Group reported a loss of \$4,813,000 (2018: \$3,862,000) and operating cash outflows of \$2,404,000 (2018: \$1,424,000) for the year ended 31 March 2019.

As at 31 March 2019 the Group has reported net liabilities of \$3,699,000 (2018 Net Assets of \$1,771,000) and current liabilities exceed current assets by an amount of \$8,664,000 (2018: \$4,277,000).

The ability of the Group to pay its debts as they fall due and to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the consolidated financial statements has been considered by the Directors in the adoption of the going concern assumption during the preparation of these financial statements.

The Directors forecast that the Group can manage its cash flow requirements at levels appropriate to meet its cash commitments for the foreseeable future being a period of 12 months from the date of authorisation of these consolidated financial statements. In reaching this conclusion, the Directors have considered the achievability of the plans and assumptions underlying those forecasts. The key assumptions include the:

- Group's ability to successfully conclude present discussions with overseas funder (and shareholder) regarding the roll-over of existing debt (NZ\$1.6 million) and further debt raising up to the total of US\$1 million;
- Group's ability to successfully conclude divestment of investment discussions in the United Kingdom with existing and prospective Regional Franchisors to realise NZ\$2 million;
- Group's ability to maintain the repayment schedules of remaining debt in accordance with the repayment agreements and comfort provided by related parties of Keith Jackson owed NZ\$2.6 million that they do not intend to/will not call up repayment of that debt; and
- Ability to improve the operating cash flows from continuing operations, most notably the timing of regional franchise sales in the United Kingdom of NZ\$2.2 million.

The Directors acknowledge that there are material uncertainties within the forecast assumptions noted above. These uncertainties relate predominantly to the success and timing of current discussions relating to existing debt, further prospective borrowings of US\$1 million, capital raising of NZ\$2 million in the United Kingdom, regional franchise sales of NZ\$2.2 million in the United Kingdom, the ability of related parties of Keith Jackson to continue to provide funding as required, and market conditions which the Group operates in.

Nevertheless, after considering the uncertainties described above the Directors have reasonable expectation that the Group has sufficient headroom in its cash resources to allow the Group to continue to operate for the foreseeable future or alternatively it can manage its working capital requirements to create additional required headroom.

Any significant departure from the above assumptions may cast significant doubt over the ability to continue as a going concern for the foreseeable future.

Whilst the Directors acknowledge that there are capital raising, credit, exchange and liquidity risks in the global economic market in which the Group operates, they are confident that

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additional capital or funding will be sourced by the Group. In particular, the Directors have received a confirmation from related parties of Keith Jackson, that they will continue to financially support the Group for the foreseeable future. They note the Group has a track record of obtaining financial support from cornerstone investors and related parties and, where necessary, negotiating the deferment of debt repayments. The Directors are also confident that operating cash flows will continue to improve as a result of the restructuring activities that have been undertaken, most recently in the United Kingdom, and reduce the extent of cash outflow and improve revenue growth.

The Directors continue to consider other opportunities to further improve the Group's cash position which include discussing collaborations with partners overseas, negotiations with potential strategic equity partners, investigating new facility lines, ongoing discussions in the UK and Ireland relating to potential acquisitions, rationalising the business wherever possible to concentrate on core business activity and greater focus on improving existing core business activities.

After taking into account all available information, the Directors have concluded that there are reasonable grounds to believe that the forecasts and plans are achievable, the Group will be able to pay its debts as and when they become due and payable, there is sufficient headroom in available cash resources, and the basis of preparation of the financial report on a going concern basis is appropriate.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the consolidated financial statements. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meets its debts as and when they fall due.

5. Revenue

The Group's revenue is analysed as follows for each major category:

	Continuing Operations		Discontinued Operations	
	31-Mar 2019 \$'000	31-Mar 2018 \$'000	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Sale of Beverage product	2,482	1,989	-	1,657
Sale of Kiwifruit and Asparagus produce	-	-	-	46
Sale of goods	2,482	1,989	-	1,703
Royalties	2,369	2,328	-	71
Franchise fees and other revenue	1,085	2,411	-	18
Rendering of services	3,454	4,739	-	89
Group revenue	5,936	6,728	-	1,792

Under the New Zealand Equivalent to International Financial Reporting Standard 15, Revenue from Contracts with Customers, (NZ IFRS 15), the Group elected to apply this standard retrospectively only to contracts that were not completed contracts at the date of initial application of 1 April 2018.

Notes to the Consolidated Financial Statements

In the current reporting period, the application of NZ IFRS 15, has resulted in Fees and other revenue being approximately \$180,000 less than would have been reported under the previous standards and related interpretations in effect before the change. This is the net effect of revenue from master and regional franchise fees no longer recognised at the time of the master or regional franchise agreement becoming unconditional but instead deferred over the term (normally 10 years) of the franchise.

6. Employee costs

Expenses recognised for employee costs are analysed below:

	Continuing Operations		Discontinued Operations	
	31-Mar 2019 \$'000	31-Mar 2018 \$'000	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Wages, salaries	3,005	2,663	-	1,087
Defined contribution funds	50	22	-	-
Other staff costs	30	333	-	1
	3,085	3,018	-	1,088

7. Other expenses

Expenses recognised as other costs are analysed below:

	Continuing Operations		Discontinued Operations	
	31-Mar 2019 \$'000	31-Mar 2018 \$'000	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Administration and other costs	1,240	695	-	321
Directors fees (Note 23)	82	82	-	-
Selling and distribution costs	38	301	-	38
Management fees	180	180	-	(9)
Marketing costs	869	652	-	2
Share-based payment expense	575	339	-	-
Professional and consulting services	833	828	-	26
Travel costs	402	428	-	14
	4,219	3,505	-	392

8. Finance costs

Finance costs for the reporting periods consist of the following:

	Continuing Operations		Discontinued Operations	
	31-Mar 2019 \$'000	31-Mar 2018 \$'000	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Finance charges	19	51	-	1
Interest on bank and other borrowings	734	398	-	7
	753	449	-	8

Finance costs relate to liabilities at amortised cost. There were no fixed interest rate contracts outstanding at reporting date (2018: nil).

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9. Income Tax and Deferred Tax

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Cooks Global Foods Limited at 28% and the reported tax expense in profit or loss are as follows:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Loss before tax from continuing operations	(4,809)	(1,619)
Loss before tax from discontinuing operations	-	(2,242)
	<u>(4,809)</u>	<u>(3,861)</u>
Domestic tax rate for Cooks Global Foods Limited	28%	28%
Expected tax expense	<u>(1,346)</u>	<u>(1,081)</u>
Adjustment for tax-rate differences in foreign jurisdictions	139	62
<i>Adjustment for non-deductible expenses:</i>		
Relating to amortisation of intangible assets	25	31
Other non-deductible expenses	278	148
Actual tax expense (income)	<u>(904)</u>	<u>(840)</u>
Tax expense comprises:		
Current tax expense (income)	(904)	(840)
Deferred tax expense (income):		
- Origination and reversal of temporary differences	15	(117)
- Tax Losses not recognised	885	956
- Utilisation of unused Tax Losses	-	-
Income tax expense	<u>(4)</u>	<u>(1)</u>
Income tax expense is attributable to:		
Loss from continuing operations	(4)	-
Loss from discontinued operations	-	(1)
	<u>(4)</u>	<u>(1)</u>

The Group has computed tax losses within each jurisdiction since acquisition as follows:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
New Zealand	6,819	4,738
United Kingdom	6,795	5,444
Ireland	949	1,068
Canada	160	145
Australia	295	283
	<u>15,018</u>	<u>11,678</u>

Available New Zealand imputation tax credits are \$3 (2018: \$1,500).

At 31 March 2019, the Group has deferred liabilities relating to reacquired rights in the UK and Ireland amounting to \$655,000 (2018: \$743,000) and are offset by deferred tax losses. The

Notes to the Consolidated Financial Statements

majority of the deferred tax assets and liabilities are not expected to crystallise within the next 12 months.

10. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Cash at bank and in hand:		
NZD	53	26
AUD	1	7
EUR	143	176
GBP	242	465
USD	11	40
Cash and cash equivalents	450	714
Bank overdraft NZD (Current Liability)	(148)	(1,180)
Net Cash and cash equivalents	302	(466)

There are no restrictions on the cash and cash equivalents.

The Group had overdraft banking facilities of \$148,000 (2018: \$1,180,000). This is secured by way of a General Security Agreement over the Group assets. For the year ended 31 March 2019, there were no financial covenants with respect to the Group banking facilities. Details of the two facilities are noted below.

The overdraft facility limit was \$48,000 (2018: \$425,000). Interest is payable at a variable rate based on the ANZ Business Bank Indicator Rate (BBIR), interest rate payable at 31 March 2019 was 11.85% (2018: 11.85%). This facility was repaid in full on 1 April 2019.

The commercial flexi overdraft facility limit was \$100,000 (2018: \$775,000). Interest is payable at a variable rate based on the ANZ Business Bank Indicator Rate (BBIR), interest rate payable at 31 March 2018 was 9.95% (2018: 9.83%). This facility was repaid in full on 1 April 2019.

11. Trade and other receivables and other current assets

Trade and other receivables are initially recognised at the fair value of the amounts to be received, plus transaction costs (if any).

The Group has recognised expected credit losses in the Statement of Profit or Loss and Other Comprehensive Income by applying the simplified impairment approach, whereby upon initial measurement of the trade receivables, the Group considers all credit losses that are expected to occur during the lifetime of the receivable. The Group has reviewed the historical ageing analysis of gross trade receivables and considered forward looking macro-economic factors, by geographic region, to determine the expected credit loss rate. This rate is applied to outstanding gross trade receivables as at 31 March 2019 to calculate the allowance for expected credit losses.

Notes to the Consolidated Financial Statements

(a) Trade and other receivables consist of the following:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Trade and other receivables		
Trade receivables	613	1,618
Less: provision for impairment of trade receivables	(317)	(160)
	<u>296</u>	<u>1,458</u>
Cooks Investment Holdings Limited receivable (Note 23)	-	1,302
Net trade and other receivables	<u>296</u>	<u>2,760</u>

As at 31 March the ageing of trade receivables is as follows:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Current	254	1,042
31 to 60 days	148	115
61 to 90 days	164	52
> 90 days	47	409
Total	<u>613</u>	<u>1,618</u>

(b) Other current assets consist of the following:

Other current assets		
Prepayments	373	233
Other short-term assets	388	383
Other current assets	<u>761</u>	<u>616</u>

12. Inventories

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Raw materials and consumables	31	33
Finished goods	188	121
Total inventories	<u>219</u>	<u>154</u>

Notes to the Consolidated Financial Statements

13. Assets and liabilities classified as held-for-sale and discontinued operation

The following investment was reclassified as held-for-sale, by the Directors, during the year ended 31 March 2017, as the Directors had engaged in selling the operating segment as it was either no longer seen to be core to the business operations or being reorganised to better capitalise the opportunity in the particular market.

13.1. China operation

The Group reclassified its China business as a discontinued operation for the year ended 31 March 2017 after the decision was made to sell a majority share of the business.

At 31 March 2018, the restructure of the China business was substantially complete. A review of control with respect to that separate business unit under New Zealand International Financial Reporting Standard 10 (NZ IFRS 10: Consolidated Financial Statements), determined that loss of control of the business effectively occurred on 1 October 2017.

As a result, the Group treated the trading results for the China operation for the six months to 30 September 2017 as discontinued operations in its Consolidated Statement of Profit or Loss and Other Comprehensive Income. From 1 October 2017, it recognised its investment in the new China entity as an Associate in which it held a 21% share and equity accounted from that point in time. Refer Note 14.2 Interest in Associate.

The prior period financial performance and cash flow information presented are for the six months ended 30 September 2017.

	30-Sep 2017 \$'000
Results of discontinued operation	
Revenue	1,746
Other income	270
Cost of inventories sold	(804)
Depreciation and amortisation	-
Impairment of goodwill	-
Other expenses	(2,429)
Operating loss	<u>(1,217)</u>
Finance costs	(8)
Loss before income tax	<u>(1,225)</u>
Income tax expense	(1)
Loss on derecognition of subsidiary after income tax	(1,086)
Loss for the year from discontinued operation	<u>(2,312)</u>
Loss attributable to:	
- Shareholders of the parent	(2,189)
- Non-controlling interests	(123)
Cash flows used in discontinued operation	
Net cash from operating activities	(618)
Net cash used in investing activities	-
Net cash used in financing activities	-
Net cash flows for the year	<u>(618)</u>

Notes to the Consolidated Financial Statements

30-Sep
2017
\$'000

Details of the de-recognition of subsidiary

Consideration received or receivable:	
Investment in associate	3,366
Total disposal consideration	<u>3,366</u>
Carrying amount of net assets de-recognised	(4,036)
Non-controlling interests de-recognised	
Loss on de-recognition of subsidiary before income tax	<u>(670)</u>
Income tax expense	-
Loss on de-recognition of subsidiary after income tax	<u>(670)</u>
Other comprehensive income	
Exchange differences on translation of discontinued operations	(416)
Loss on de-recognition of subsidiary after income tax	<u><u>(1,086)</u></u>

Carrying amounts of assets and liabilities as at 30 September 2017 (date of sale) were:

30-Sep
2017
\$'000

Effect on the financial position of the Group

Inventories	587
Trade and other receivables	384
Other short-term assets	3,024
Cash and cash equivalents	192
Goodwill	673
Intangible asset - reacquired rights	1,391
Trademarks and Intellectual Property	193
Property, plant and equipment	<u>570</u>
Total assets	<u><u>7,014</u></u>
Trade and other payables	(2,641)
Current tax liabilities	(53)
Other liabilities	<u>(284)</u>
Total liabilities	<u><u>(2,978)</u></u>
Net assets de-recognised	<u><u>4,036</u></u>

13.2. Summary of discontinued operations

	31 March 2018		Total \$'000
	Progressive Processors \$'000	China Operation \$'000	
Assets classified as held for sale	-	-	-
Liabilities classified as held for sale	-	-	-
Net profit/(loss) from discontinued operations	69	(2,312)	(2,243)

Notes to the Consolidated Financial Statements

14. Interests in other entities

14.1. Interests in subsidiaries and other holdings

	Country	% Holding		Principal activity
		2019	2018	
Scarborough Fair Foods Pty Limited	Australia	100	100	Beverage Products
Esquires Coffee Canada Limited	Canada	100	100	Food and beverage
Esquires Coffee International Inc	Canada	100	100	IP Holding Company
CGF Franchise Development (Canada) Limited	Canada	100	100	Master Franchisor
Shanghai Niuxin Management Company Limited	China	100	100	Holding Company
Shanghai Yinshi Food and Beverage Management Company Limited	China	21	100	Food and beverage
Bishops Café Limited	England	100	100	Food and beverage
Esquires Coffee UK Limited	England	100	100	Food and beverage
Esquires Franchising (UK) Limited	England	100	100	Holding Company
Esquires HQ (UK) Limited	England	100	100	Holding Company
Esquires Real Estate (UK) Limited	England	100	100	Store Lease Holding
Cooks Coffee Café Limited	Ireland	100	100	Store Lease Holding
Cooks Coffee Houses Ireland Limited	Ireland	100	100	Store Lease Holding
Cooks Coffee Houses Limited	Ireland	100	100	Store Lease Holding
Cooks Coffee Ireland Limited	Ireland	100	100	Store Lease Holding
Cooks Food & Beverages Ltd	Ireland	100	100	Name protection
Cooks Franchise Ireland Limited	Ireland	100	100	Name protection
ECH Franchise Development (Europe) Limited	Ireland	100	100	Master Franchisor
ECH Franchise Development (Romania) Limited	Ireland	100	100	Holding Company
Esquires Coffee Houses Ireland Limited	Ireland	100	100	Food and beverage
CGF Employee Share Trust Limited	NZ	100	100	Nominee Services
Cooks Supply Group Limited	NZ	100	100	Holding Company
Crux Products Limited	NZ	50	50	Export
Esquires Asia Limited	NZ	100	100	Name protection
Esquires Bahrain Limited	NZ	100	100	Master Licence Agreement
Esquires Canada IP Limited	NZ	100	100	IP Holding Company
Esquires China Limited	NZ	100	100	Holding Company
Esquires Coffee China Limited	NZ	100	100	IP Holding Company
Esquires Coffee India Limited	NZ	100	100	Holding Company
Esquires Coffee Malaysia IP Holdings Limited	NZ	100	100	IP Holding Company
Esquires Coffee Supply Limited	NZ	100	100	Name protection
Esquires Egypt Limited	NZ	100	100	Name protection
Esquires EP and Bahrain Limited	NZ	100	100	Name protection
Esquires Fiji Limited	NZ	100	100	Master Licence Agreement
Esquires Global IP Holdings Limited	NZ	100	100	IP Holding Company
Esquires India Limited	NZ	100	100	Master Licence Agreement
Esquires Indonesia Limited	NZ	100	100	Name protection
Esquires Iraq IP Holdings Limited	NZ	100	100	IP Holding Company
Esquires Jordan Limited	NZ	100	100	Master Licence Agreement
Esquires Kuwait Limited	NZ	100	100	Master Licence Agreement
Esquires Malaysia Limited	NZ	100	100	Master Licence Agreement
Esquires Middle East & Africa IP Holdings Limited	NZ	100	100	IP Holding Company
Esquires Northern Cyprus Limited	NZ	100	100	IP Holding Company
Esquires NZ Franchise Holdings Limited	NZ	100	100	Name protection
Esquires Office Limited	NZ	100	100	Office Lease Holding
Esquires Oman Limited	NZ	100	100	Master Licence Agreement
Esquires Pakistan Limited	NZ	100	100	Master Licence Agreement
Esquires Port Denarau Marina Limited	NZ	100	100	Name protection
Esquires Portugal Limited	NZ	100	100	Master Licence Agreement
Esquires Qatar Limited	NZ	100	100	Master Licence Agreement
Esquires Saudi Arabia Limited	NZ	100	100	Master Licence Agreement
Esquires Turkey Limited	NZ	100	100	Master Licence Agreement
Esquires U.A.E. Limited	NZ	100	100	Master Licence Agreement
Esquires UK 1 Limited	NZ	100	100	Master Licence Agreement
Franchise Development Limited	NZ	100	100	Master Franchisor
Franchise Holdings NZ Limited	NZ	100	100	Holding Company
Franchise Management NZ Ltd	NZ	100	100	Name protection
LSD Global Limited	NZ	100	100	IP Holding Company
Cooks Supply No 2 Limited	NZ	100	100	Fresh Produce
Scarborough Fair Limited	NZ	100	100	Beverage Products
CGF Franchise Development (US) Limited	USA	100	100	Master Franchisor

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14.2. Interest in associate

Set out below, the associate of the Group as at 31 March 2019 which, in the opinion of the directors, is material to the Group. The entity below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principle place of business.

Name of entity	Place of business/country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2019	2018			2019	2018
		%	%			\$'000	\$'000
Shanghai Yinshi Food and Beverage Management Company Limited	China	21.00%	100.00%	Associate	Equity method	2,688	3,087

The Board of Directors made the decision more than two years ago to restructure the China business of Beijing Esquires Management Co Ltd (BEML) and progress formal agreements involving the introduction of a new local partner to add investment capital to a new company, Shanghai Yinshi Food and Beverage Management Company Limited (China Associate), and take a majority share in this company. BEML would become a 100% subsidiary of China Associate.

It was the judgment of the Directors that the Group lost control of BEML with effect from 1 October 2017 and that it was appropriate to no longer treat the entity as a subsidiary but as an associate in which it has a minority stake and equity account for it from the effective date that control was lost.

While at the time non-binding term sheets had been signed and the restructure of the business significantly advanced, a formal shareholders agreement and all structural formalities had still to be completed. These have since all been duly executed with no significant changes from the terms of the earlier non-binding documents.

When recognising the value of the Group's investment in its former subsidiary at 1 October 2017, the Board of Directors assessed its fair value in relation to the new investment of 46.7 million Yuan by the new Chinese partner(s) into the business and the Group's proportionate share in the deemed total value of the business relating to this significant capital injection.

The Directors assessed the fair value at initial recognition on 1 October 2017 in accordance with New Zealand equivalent to International Financial Reporting Standard 13 (NZ IFRS 13), Fair Value Measurement. When determining whether fair value at initial recognition equals the transaction price, the Directors took into account factors specific to the transaction and the assets and liabilities including: the existence of independent, arms-length parties; neither party under duress or force of circumstances and the transaction taking place in the most advantageous market for the business sale.

The Directors also had recourse to estimates, averages and computational short cuts to provide reasonable approximations of the detailed computations illustrated in New Zealand Equivalent to International Accounting Standard 36 (NZ IAS 36), Impairment of Assets, to assess the reasonableness of fair value at initial recognition.

At the end of the financial year 31 March 2018, in accordance with NZ IAS 36, the Directors made an assessment as to whether there was any indication that the investment in the China Associate may be impaired. They determined that no such impairment was indicated based on:

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- The entity was undergoing restructuring and there was a reduction in forecast monthly losses;
- Coffee store businesses were being consolidated and upgraded, and the brand refreshed;
- New related business streams, most notably with respect to coffee machines, were being investigated to build on the brand and flag ship store experience;
- Cooks representative attending board meetings for the China Associate;
- Cooks continuing to have access to financial reporting and operational data;
- There being a mechanism for Cooks (if it chooses) to protect against further dilution of its investment in terms of the subscription rights.

After discussions with the Financial Markets Authority the Directors commissioned a third-party valuation of the carrying value of the China Associate in the financial statements at 31 March 2018 to corroborate their initial assessment. The valuation was also to give assurance that the initial holding value for the China Associate adequately reflected any control premium that should be considered with respect to the Chinese partner's acquisition of the majority share of the China Associate.

A third-party valuation expert, Censere Group Limited (Censere), based in Hong Kong completed their valuation of Cooks 21% equity interest in the China Associate in April 2019 as pertaining to fair value as at 31 March 2018.

The valuation was undertaken on a fair value basis, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Censere applied the income approach using discounted cash flow as their valuation method.

Key assumptions in their report included:

- Management being solely responsible for the contents, estimations and assumptions in the financial projections. China Associate management provided these to Cooks, which then arranged translation from Chinese to English before forwarding the information to Censere.
- In relation to the financial projections, that the China Associate will continue to operate as a going concern with sufficient liquidity; its sales, costs and net profits will continue to grow in accordance with the projections; it will have sufficient operational resources to support the projected turnover and profitability; and it will continue to maintain its cost structure in accordance with the projections.

Any deviation from these assumptions, key inputs and the other normal valuation assumptions, (such as pertaining to material changes in inflation, interest rates, exchange rates, existing political, legal or regulatory, fiscal, market or economic conditions), may significantly impact the valuation results.

Key inputs relating to the valuation model included:

- WACC (discount rate) in the range 19%-21%;
- Minority discount 25%;
- Risk Free rate (China) 3.8%;
- Equity market risk premium for China 5.89%;
- Additional risk premium (Epsilon) 16%-18%;
- Beta risk coefficient 0.63;
- Effective pre-tax costs of debt 4.9%.

Censere valued the 21% equity interest in the China Associate in the range of NZD\$5.6 million to NZD\$6.8 million, with a mid-point of \$6.2 million.

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At the end of the financial year 31 March 2019, in accordance with NZ IAS 36, the Directors made an assessment as to whether there was any indication that the investment in the China Associate may be impaired. They determined that no such impairment was indicated based on no observable indications of a decline in the asset's value nor significant changes having occurred which could have an adverse effect on that value. In particular:

- The China business was proceeding to forecast;
- The business is continuing to reduce losses relating to coffee stores with focus on core flag ship stores with steady development of single store franchise model;
- Coffee machine business is growing to plan;
- Most recent Board meeting in July attended by Cooks representative.

The table below provides summarised financial information for the associate that is material to the Group. The information disclosed reflects the substance of the financial position of the associate and not Cooks' share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method.

Shanghai Yinshi Food and Beverage Management Company Limited

	31-Mar 2019	31-Mar 2018
	\$'000	\$'000
Summarised statement of comprehensive income		
Revenue	1,968	1,225
Loss from continuing operations	(1,904)	(2,554)
Other comprehensive income	-	-
Total comprehensive income	<u>(1,904)</u>	<u>(2,554)</u>
Dividends received from associates	-	-

Shanghai Yinshi Food and Beverage Management Company Limited

	31-Mar 2019	31-Mar 2018
	\$'000	\$'000
Summarised statement of financial position		
Total current assets	1,946	3,528
Non-current assets	1,519	2,781
Total current liabilities	(2,653)	(1,787)
Non-current liabilities	(9)	(1,815)
Net assets	<u>803</u>	<u>2,707</u>

Reconciliation to carrying amounts

Opening net assets 1 April 2018 (2018: 1 October 2017)	1,482	4,036
Loss for the year (2018: period 1 October 2017 to 31 March 2018)	(1,904)	(2,554)
Other comprehensive income	-	-
Closing net assets	<u>(422)</u>	<u>1,482</u>
Investment in associate at cost	3,366	3,366
Aggregate amount of the groups share of net loss	(678)	(279)
Carrying amount of investment in associate	<u>2,688</u>	<u>3,087</u>
Included in the carrying amount of the investment is goodwill arising at acquisition of:	<u>2,520</u>	<u>2,520</u>

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15. Intangible Assets

The Group acquired trademarks, global IP rights and rights through business acquisitions.

	Trademarks \$'000	Global IP Rights \$'000	Re- acquired Rights \$'000	Total \$'000
Cost				
Balance at 1 April 2017	62	1,481	1,762	3,305
Additions	24	-	-	24
Balance at 31 March 2018	86	1,481	1,762	3,329
Balance at 1 April 2018	86	1,481	1,762	3,329
Balance at 31 March 2019	86	1,481	1,762	3,329
Accumulated amortisation				
Balance at 1 April 2017	(12)	-	(258)	(270)
Amortisation charge for the year	(23)	-	(88)	(111)
Transfer to assets held-for-sale	-	-	-	-
Balance at 31 March 2018	(35)	-	(346)	(381)
Balance at 1 April 2018	(35)	-	(346)	(381)
Amortisation charge for the year	(18)	-	(88)	(106)
Balance at 31 March 2019	(53)	-	(434)	(487)
Carrying amounts				
At 1 April 2017	50	1,481	1,504	3,035
At 31 March 2018	51	1,481	1,416	2,948
At 31 March 2019	33	1,481	1,328	2,842

Management assessed the recoverable amounts of the Group's Global IP Rights and Reacquired Rights assets using fair value less costs to sell and 'value in use' calculations to assess for any impairment.

For Esquires Global Intellectual Property Rights, data from comparable recent franchise chain sales, converted to a per store average value, were used as a measure of assessing the recoverable value for the intellectual property rights carried by the Group. Based on this work the recoverable amount for intellectual property was assessed by management to be above its existing carrying value with no impairment required. This fair value measurement is categorised as Level 2 within the fair value hierarchy outlined in the Fair Value Measurement standard, NZ IFRS 13.

Reacquired Rights were tested for impairment using discounted cash flow projections based on management approved forecasts for a maximum 10-year period matching the term of existing franchise agreements. Key assumptions in the models were: annual growth in total network sales of up to 21% (2018: 25%); exchange rates of 0.60 (2018:0.61) (NZD/EURO) and 0.52 (2018: 0.54) (NZD/GBP); and a discount rate of up to 20% (2018: 20%) per annum. Based on this work the recoverable amount for reacquired rights was assessed by management to be above its existing carrying value with no impairment required.

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16. Property, plant and equipment

	Furniture & Fittings \$'000	Plant & Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Work in progress \$'000	Total \$'000
Cost						
Balance at 1 April 2017	72	248	203	-	75	598
Additions	196	17	93	4	-	310
Disposals	-	-	(3)	-	(75)	(78)
Balance at 31 March 2018	268	265	293	4	-	830
Balance at 1 April 2018	268	265	293	4	-	830
Additions	-	581	13	-	-	594
Disposals	(7)	(1)	-	-	-	(8)
Balance at 31 March 2019	261	845	306	4	-	1,416
Accumulated depreciation						
Balance at 1 April 2017	(36)	(162)	(140)	-	(4)	(342)
Depreciation	(75)	(11)	(47)	-	-	(133)
Disposals	-	-	-	-	4	4
Balance at 31 March 2018	(111)	(173)	(187)	-	-	(471)
Balance at 1 April 2018	(111)	(173)	(187)	-	-	(471)
Depreciation	(100)	(11)	(47)	-	-	(158)
Balance at 31 March 2019	(211)	(184)	(234)	-	-	(629)
Carrying amounts						
At 1 April 2017	36	86	63	-	71	256
At 31 March 2018	157	92	106	4	-	359
At 31 March 2019	50	661	72	4	-	787

Leased assets

Computers and software include the following amounts where the Group is a lessee under a finance lease (refer to Note 20 for further details):

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Leased equipment		
Cost	55	50
Accumulated depreciation	(46)	(40)
Net carrying amount	<u>9</u>	<u>10</u>

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17. Trade and other payables

Trade and other payables recognised are all short-term and consist of the following:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Current		
- Trade payables	2,658	2,436
- Other payables	1,907	2,168
	<u>4,565</u>	<u>4,604</u>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. Refer to Note 27 on foreign currency risk

18. Borrowings and other liabilities

	Current 2019 \$'000	Non-Current 2019 \$'000	Current 2018 \$'000	Non-Current 2018 \$'000
Convertible loan (a), comprising				
- Host Debt	1,212	-	-	-
- Embedded Derivative	538			
Finance Loans (b)	1,121	221	982	361
Related Party Loans (c)	2,621	-	1,725	-
Hire Purchase	-	-	8	-
CVA Creditors (UK) (d)	22	-	22	-
	<u>5,514</u>	<u>221</u>	<u>2,737</u>	<u>361</u>

(a) A convertible loan agreement was entered into with CGF Cooks Global L.P. (SPV) on 4 July 2018, where the SPV will advance monies to Cooks Global Foods Limited (Cooks). The first advance of USD\$500,000 was received on 30 October 2018, with each subsequent advance under the facility agreement to be at least USD\$100,000 and the principal amount of the loan is not to exceed USD\$1,500,000. Each advance is for a period of 12 months from the date of receipt. At 31 March 2019, USD\$1,030,000 has been advanced under this loan agreement. Interest accrues daily on the principal amount due at 18% per annum and is payable either on the maturity date of each advance or quarterly after receipt of the relevant advance.

The SPV may elect that all or part of an advance be repaid in full or to convert all or part of an advance into ordinary shares at (i) the issue price per share under any capital raising transaction which raises at least \$2 million for Cooks or (ii) at an amount equal to 85% of the volume weighted average price of shares in Cooks on the NZX over the 50 Business Day period commencing on: (a) Cooks receiving 30 days' notice to convert all or part of the advance into Shares or (b) if no notice has been received with regards the election of conversion or repayment of an advance, the relevant advance will convert into shares.

The convertible loan has been assessed as a hybrid contract containing a host financial liability and embedded derivative liabilities which could cause cash flows required by the contract to be modified by financial or non-financial variables. In this case, foreign exchange and share option variables. As such, the convertible loan has been disclosed in its separate components in accordance with the Financial Instruments reporting standard (NZ IFRS 9).

(b) Finance loans represent advances from various lenders. Interest rates payable on the loans vary from 9% to 15% (2018: 9% to 13%). Finance loans include a redeemable convertible

Notes to the Consolidated Financial Statements

note of \$250,000, that expires on 9 December 2019. Interest is payable quarterly at 9% (2018: 9%). On maturity this note can be redeemed in cash or converted to ordinary shares.

- (c) Related party loans represent the Nikau Trust at 31 March 2019 and 31 March 2018. Interest on the loan varies from 8.25% to 10% (2018: 8.25% to 10%) and is payable monthly. The loans are payable on demand.
- (d) Prior to the acquisition of Esquires Coffee (UK) Limited the business entered into company voluntary arrangement (CVA). As a result, the business has an obligation to repay the creditors that existed at the date it entered into CVA over a period of five years. The CVA formally ended in 2018 and this is a remaining residual balance to be cleared.

Summary of cash and non-cash changes to borrowings and other liabilities, as per the movements in the Consolidated Statement of Cash Flows:

	31 Mar 2018	<i>Cash flows included in:</i>			<i>Non-cash changes:</i>			31 Mar 2019
	Net Debt \$'000	Financing activities \$'000	Investing activities \$'000	Operating activities \$'000	Conversion to Shares \$'000	Foreign exchange movements \$'000	Fair value changes \$'000	Net Debt \$'000
Short-term borrowings and other liabilities	2,737	3,259	-	-	(998)	(10)	526	5,514
Long-term borrowings and other liabilities	361	-	-	-	-	-	(140)	221
Bank overdraft	1,180	(1,032)	-	-	-	-	-	148
Total movement	4,278	2,227	-	-	(998)	(10)	386	5,883

Movements on Consolidated Statement of Cash Flows

Proceeds from borrowings	3,259
Repayment of borrowings	(1,032)
	<u>2,227</u>

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Currency borrowings are denominated in:		
NZD	3,963	3,076
GBP	22	22
USD	1,750	-
	<u>5,735</u>	<u>3,098</u>
	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Interest rates payable		
Convertible loans	18.00%	N/A
Related party loans	10.00%	10.00%
Financing loans	9% to 18%	9% to 13%
Hire purchase	1% to 10%	1% to 10%

Hire purchase borrowings are secured over the underlying assets financed, all other borrowings are unsecured. The Group has no available undrawn facilities. At year end there were no lending covenants in place.

Notes to the Consolidated Financial Statements

All facilities expiring within one year are subject to a review by the lenders. Refer Note 4.

Fair value

The fair value of current borrowings approximates to the fair value and the impact of discounting is not significant.

19. Equity

19.1. Share Capital

The share capital of Cooks Global Foods Limited consists of issued ordinary shares, each share representing one vote at the company's shareholder meetings. All shares are equally eligible to receive dividends and the repayment of capital.

Movements of share capital	31-Mar-19	31-Mar-18
<i>Number of Shares issued:</i>	No. of Shares	No. of Shares
Ordinary shares opening balance	489,509,248	416,595,863
Ordinary shares issued	-	73,022,583
Ordinary shares bought back on-market and cancelled	-	(109,198)
Total ordinary shares authorised at 31 March	489,509,248	489,509,248

Movements of share capital	31-Mar-19	31-Mar-18
<i>Value of Shares issued:</i>	\$'000	\$'000
Ordinary shares opening balance	42,687	37,875
Ordinary shares issued less share issue expenses	-	4,650
Ordinary shares bought back on-market and cancelled	-	(8)
Ordinary shares to be issued	(170)	170
Total ordinary shares authorised at period end	42,517	42,687

At 31 March 2019, there was no ordinary share capital unpaid (2018: \$1,301,773).

During the year ended 31 March 2019, the company issued no new shares (2018: 73,022,583) and no shares were cancelled (2018: 109,198).

During the year ended 31 March 2018, the company purchased and cancelled 109,198 ordinary shares on-market in order to reduce the company's holders of small share parcels. The buy-back and cancellation was approved by shareholders at last year's annual shareholders meeting. The shares were acquired at an average price of \$0.0707 per share, with prices ranging from \$0.060 to \$0.076. The total cost of \$7,724 was deducted from share capital.

19.2. Loss per share

The calculation of basic loss per share for the year ended 31 March 2019 was based on the weighted average number of ordinary shares on issue. The calculation of diluted earnings per share for the year ended 31 March 2019 was based on the weighted average number of ordinary shares.

	31-Mar-19	31-Mar-18
Weighted average ordinary shares issued	489,509,248	470,790,428
Basic and diluted loss per share (New Zealand Cents) from continuing and discontinued operations:	(0.98)	(0.79)
Basic and diluted loss per share (New Zealand Cents) from continuing operations:	(0.98)	(0.27)
Net tangible assets per share (New Zealand Cents)	(1.34)	(0.34)

Notes to the Consolidated Financial Statements

19.3. Share based payment reserve & prior period adjustment

The earn-out relating to the acquisition of the Irish business (Esquires Coffee Houses Ireland) in 2013, has been reclassified this year as Equity and the appropriate prior year adjustments made to record the earn-out estimate as Equity rather than a Non-Current Liability.

This is a correction of the treatment of the transaction arising from a review of the reporting requirement of Share-based Payments in accordance with the NZ IFRS 2 accounting standard. The original recognition was reviewed during the year and it was determined that the earn-out was an equity settled share-based payment arrangement as the earn out payment is settled by the issue of shares in Cooks. The standard requires equity settled share-based payments to be recorded as equity. Accordingly, the error is a reclassification from non-current liability to equity.

The conditions of key terms of the earn-out payment as specified in the 2013 Sale and Purchase Agreement for the Irish business were:

- Calculation of the Earn-Out to be four times the Earnings Before Income Tax (EBIT) for the Irish franchise business either for the average of the three financial years prior to the earn-out payment date or the financial year immediately prior to the earn-out payment date;
- The earn-out payment date could be triggered by formal notification from the vendor any time up to October 2020;
- The earn-out payment was contingent on the principal owner and operator of the Irish business remaining as an employee within the business after the acquisition date.
- The earn-out payment will be settled by the issue of Cooks shares.

The Group has presumed that the services to be rendered by the employee as consideration for the shares will be received in the future over the estimated expected vesting period of 78 months based on the most likely outcome of the performance condition associated with increasing the EBIT for the business.

As required by IFRS 2, the Group has been recognising an amount for the earn-out during the 78 month vesting period based on the best available estimate of the final earn-out number and revising this estimate where necessary annually where the latest estimate has varied materially from previous ones.

Movement in Share based payment reserve

	31-Mar 2019 \$000's	31-Mar 2018 \$000's
Esquires Coffee Ireland Limited share-based payment		
Opening balance	1,588	1,249
Amount expensed during current vesting period	369	253
Adjustment based on best available estimate	206	86
Closing balance	<u>2,163</u>	<u>1,588</u>

As a result of the change in treatment, annual movement in the amount provided for the earn-out is now also included in Other Comprehensive Income.

Notes to the Consolidated Financial Statements

20. Leases

20.1. Operating leases as Head Lessee

The Group leases an office and production building in New Zealand under an operating lease. In the United Kingdom and Ireland, the Group leases an office and is the head lessee on operating leases relating to both owned and franchised stores.

The future minimum lease payments are as follows:

	Minimum lease payments due			Total \$'000
	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	
31 March 2019	3,057	10,096	10,582	23,734
31 March 2018	2,901	9,574	11,616	24,091

The nominal lease payments are considered a reasonable approximation of present value.

Lease expense for the Group (excluding payments made on leases that are sub leased to franchisees and paid by the franchisees) during the period amounted to \$199,000 (2018: \$295,000) representing the minimum lease payments.

The rental contracts have non-cancellable terms ranging from 5 months up to 19 years.

20.2. Operating leases with Sub Lessees

In the United Kingdom and Ireland, the Group holds the head lease over the rental properties of many its franchisees. The franchisees hold a sub-lease, are guarantors to the agreement and pay the monthly rental costs associated with the property.

The future minimum lease payments and income receivable relating exclusively to these sub leases (and included in the numbers in the note above) are as follows:

	Minimum lease payments due			Total \$'000
	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	
31 March 2019	2,446	8,418	9,059	19,923
31 March 2018	2,626	8,870	10,560	22,056

	Minimum lease income due			Total \$'000
	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	
31 March 2019	2,446	8,418	9,059	19,923
31 March 2018	2,626	8,870	10,560	22,056

Notes to the Consolidated Financial Statements

21. Fees paid to auditor

The Auditor of the Group is BDO Auckland.

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Audit of financial statements		
- Statutory Audit	120	111
- Overseas network firms	28	63
Total fees paid to auditor	<u>148</u>	<u>174</u>

22. Reconciliation of cash flows from operating activities

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Loss after tax	(4,813)	(3,862)
Add non-cash items:		
Depreciation and amortisation	264	495
Share of losses of associate	399	279
Losses from discontinued operations	-	609
Add/(Less) movements in assets/liabilities:		
Inventories	65	73
Trade and other receivables	1,162	(251)
Other short-term assets	(145)	(93)
Trade and other payables	(39)	1,672
Other liabilities	540	(346)
Contract liabilities	163	-
Net cash flow applied to operating activities	<u>(2,404)</u>	<u>(1,424)</u>

23. Related party transactions

The Group's related parties include the directors and senior management personnel of the Group and any associated parties as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Keith Jackson is a director of Cooks Investment Holdings Limited, Dairyland Products Limited, Jackson & Associates Limited and Tasman Capital Limited, Weihai Station Limited and a trustee of Nikau Trust.

Andrew Kerslake is a director of ADG Investments Limited and HMFIC Investments Limited.

Mike Hutcheson is a director of Image Centre Limited and Lighthouse Ventures Holdings Limited.

Peihuan Wang is a director of Jiajiayue Holding Group Limited and Weihai Station Limited.

Tony McVerry is a director of Esquires Coffee Houses Ireland Limited.

Craig Brown is a director of most of the Group's subsidiary companies.

Doug Williamson is a director of several the Group's UK subsidiary companies.

Notes to the Consolidated Financial Statements

As a major shareholder, Yunnan Metropolitan Construction Investment Co Ltd have a right to appoint a director to the Group's Board. Their representative on the Board resigned during the year and a new appointment has subsequently been made.

Ellen Zhang (Shu Xin Zhang) was the CEO of the China business but has since left the company during the year.

Number of shares held by directors and other related parties:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Jiajiayue Holding Group	148,203,944	148,203,944
Yunnan Metropolitan Construction Investment Group Co Ltd	100,719,640	100,719,640
Cooks Investment Holdings Limited	30,562,207	47,823,091
ADG Investments Limited	42,199,758	42,199,758
Keith & Patricia Jackson & PM Picot	50,051,530	37,173,719
Shu Xin Zhang & Jian Ming Zhou	9,013,773	7,095,225
Tasman Capital Limited	2,362,780	2,362,780
Hmfic Investments Limited	2,189,525	-
CGF Employee Share Trust	562,486	562,486
Maretha McVerry	573,687	573,687
Lighthouse Ventures Holdings Limited	455,533	455,533
Mike Hutcheson	367,671	367,671
Craig Bruce Brown & Annette Ruth Brown	125,625	125,625

23.1. Transactions with related parties

The following transactions occurred with related parties during the year:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
<i>Purchases of goods and services</i>		
Purchase of management services	185	373
Property rental agreement with related party	-	221
Purchase of other services	-	398
<i>Interest paid to related party</i>	205	81
<i>Other transactions</i>		
Satisfaction of related party receivables	998	-
Subscriptions for new ordinary shares	-	5,592
Funding loans advanced by related parties	1,728	1,625
Subscriptions for ordinary shares to be issued	-	170

The above values are exclusive of GST or VAT if any.

Notes to the Consolidated Financial Statements

23.2. Balances outstanding with related parties

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
<i>Outstanding balances arising from purchases of goods and services</i>		
Entities controlled by key management personnel	256	333
Other related parties	2,621	1,768
<i>Loans to/from related parties</i>		
<i>Loans to related party (1)</i>		
Beginning of the year	1,302	1,623
Satisfaction of related party receivables	-	(321)
Loan reduction	(1,302)	-
End of period	<u>-</u>	<u>1,302</u>
<i>Loans from related party</i>		
Beginning of the year	1,725	2,564
Loans advanced	1,728	1,737
Satisfaction of related party receivables	(998)	(2,576)
Interest charged	205	81
Interest paid	(39)	(81)
End of period	<u>2,621</u>	<u>1,725</u>

The above values are inclusive of GST or VAT if any.

- (1) Keith Jackson has entered into an underwrite agreement with CIHL for any unsubscribed shares in this investment vehicle. As at 31 March 2019, all shares in CIHL were subscribed for and there was no outstanding amount (2018: \$1,301,773) owing to CGF under the terms of this agreement. Refer to Note 11.

23.3. Transactions with directors and senior management personnel

Key management of the Group are the executive members of Cooks Global Foods Limited's Board of Directors and senior management. Directors and senior management personnel payments (exclusive of GST if any) made during the year includes the following expenses:

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Directors fees	80	82
Salaries, wages and contractor payments	1,353	1,282
	<u>1,433</u>	<u>1,364</u>

Notes to the Consolidated Financial Statements

24. Segment reporting

Management currently identifies the Groups product and service lines in various geographical locations as its operating segments.

The Esquires franchising & retail segment receives two main income streams: Retail Sales from owned stores (UK and China) and Royalties from and Product Sales to Franchisees (UK, Ireland, Middle East and China). The supply segment represents the supply of tea/coffee/beverages and fresh produce.

Segment information for the reporting period is as follows:

31 March 2019	Continuing operations						Total \$'000
	Global franchising & design \$'000	UK & retail \$'000	Ireland & retail \$'000	Supply \$'000	Corporate \$'000		
Global operational splits							
Revenue	1,360	2,591	1,167	818	-	5,936	
Other income	1	-	-	1	101	103	
Cost of inventories sold	(56)	(435)	(2)	(678)	-	(1,171)	
Depreciation and amortisation	(29)	(188)	(36)	(1)	(10)	(264)	
Other expenses	(1,985)	(2,797)	(1,337)	(487)	(1,655)	(8,261)	
Operating (loss)/profit	(709)	(829)	(208)	(347)	(1,564)	(3,657)	
Non-current assets							
Intangible assets	50	845	467	-	1,481	2,843	
Property, plant and equipment	19	715	24	12	17	787	
31 March 2018							
	Global franchising & design \$'000	UK & retail \$'000	Ireland & retail \$'000	Supply \$'000	Corporate \$'000	Total \$'000	
Global operational splits							
Revenue	1,937	2,964	989	838	-	6,728	
Other income	-	36	-	-	1	37	
Cost of inventories sold	(205)	(192)	-	(672)	-	(1,069)	
Depreciation and amortisation	(35)	(162)	(35)	(1)	(11)	(244)	
Other expenses	(1,264)	(2,452)	(762)	(464)	(1,401)	(6,343)	
Operating (loss)/profit	433	194	192	(299)	(1,411)	(891)	
Non-current assets							
Intangible assets	69	901	498	-	1,480	2,948	
Property, plant and equipment	27	285	25	3	19	359	

Notes to the Consolidated Financial Statements

Global operational splits	Discontinued operations		
	China franchising & retail	Supply	Total
	\$'000 30 Sep 2017	\$'000 14 Apr 2017	\$'000
Revenue	1,746	46	1,792
Other income	270	45	315
Cost of inventories sold	(804)	(11)	(815)
Other expenses	(2,429)	(11)	(2,440)
Operating (loss)/profit	(1,217)	69	(1,148)
Loss on sale of the subsidiary after income tax	(1,086)	-	(1,086)
	(2,303)	69	(2,234)
Non-current assets			
Intangible assets	2,317	-	2,317
Property, plant and equipment	570	-	570

25. Contingencies

Contingent Liabilities

There are no contingent liabilities as at 31 March 2019 (2018: \$nil).

26. Capital commitments

There were no capital commitments as at 31 March 2019 (2018: \$nil).

27. Financial risk management

Due to the broad range of the Group's activities, there is exposure to a variety of financial risks:

- Market risk (including currency risk and interest rate risk);
- Credit risk; and
- Liquidity risk

The Group's risk management programme focuses on minimising the potential adverse effects of these risks. The Group's business is primarily denominated in foreign currencies. The Group holds New Zealand dollars and other currencies to settle transactions in the normal course of business.

27.1. Market risk

Foreign Currency Risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures. The majority of the Group's product, manufacturing and logistics costs are settled in NZD. Though the NZD remains the main currency for corporate funding and Group reporting, it will continue to diminish as a proportion of total Group as product sales outstrip growth in the New Zealand market. A significant amount of the Group's transactions are carried out other than in New Zealand Dollars. Exposures to currency exchange rates arise from the Group's overseas company holdings (Australia, Canada, China, Ireland and United Kingdom), and foreign currency denominated income for New Zealand domiciled companies (royalties,

Notes to the Consolidated Financial Statements

store openings, design and other franchise fees, product sales). These are primarily denominated in Australian dollars (AUD), Canadian Dollars (CAD), European currency (EURO), Pound Sterling (GBP) and US dollars (USD).

The below tables show the impact on pre-tax loss for the year, if the major currencies that the Group transacts in weaken/strengthen by 10% to the NZD, with other variables held constant. The impact would mainly result in foreign exchange gains or losses on the conversion of cash, receivables and payables. The same movement on equity would be expected. 10% was chosen as a reasonable sensitivity given the historically volatile markets for foreign exchange.

NZ\$000s	Carrying amount at			Carrying amount at		
	31 March 2019	NZD +10% Profit/Equity	NZD -10% Profit/Equity	31 March 2018	NZD +10% Profit/Equity	NZD -10% Profit/Equity
AUD cash	1	-	-	7	1	(1)
AUD accounts receivable	43	4	(5)	44	4	(5)
AUD accounts payable	(56)	5	(6)	(32)	3	(4)
Total AUD		9	(11)		8	(10)
CAD cash	-	-	-	1	-	-
CAD accounts receivable	-	-	-	33	3	(4)
CAD accounts payable	(36)	3	(4)	(63)	6	(7)
Total CAD		3	(4)		9	(11)
EURO cash	143	13	(16)	176	16	(19)
EURO accounts receivable	304	28	(34)	265	24	(29)
EURO accounts payable	(130)	12	(14)	(95)	9	(11)
Total EURO		53	(64)		49	(59)
GBP cash	242	22	(26)	465	42	(52)
GBP accounts receivable	365	33	(41)	676	61	(75)
GBP accounts payable	(1,175)	107	(131)	(954)	87	(106)
Total GBP		162	(198)		190	(233)
USD cash	11	1	(1)	193	6	(7)
USD accounts receivable	170	15	(19)	302	27	(34)
USD accounts payable	185	17	(21)	1,847	168	(205)
Total USD		33	(41)		201	(246)

Notes to the Consolidated Financial Statements

Interest Rate Risk

The Group currently has an overdraft facility and had cash deposits in various currencies at reporting date as follows:

	31 March 2019		31 March 2018	
	Local currency \$'000	NZD Equivalent \$'000	Local currency \$'000	NZD Equivalent \$'000
Cash bank and in hand:				
NZD	53	53	26	26
AUD	1	1	7	7
EUR	86	143	103	176
GBP	126	242	238	465
USD	7	11	29	40
Cash and cash equivalents		450		714
Bank overdraft NZD (Current liability)	(148)	(148)	(1,180)	(1,180)
Short term financing	(1,121)	(1,121)	(982)	(982)
		(819)		(1,448)

The impact of a 1% increase / decrease in interest rates over a one-year period on the closing net cash balance would result in an increase / decrease in consolidated pre-tax profit and equity of \$55,110 (2018: \$35,340). 1% was chosen as a reasonable sensitivity given changeable interest rate markets.

27.2.Credit Risk

Credit risk is managed on a Group basis. The Group generally trades with customers and banking counterparties who are well established. Receivables balances are managed by and reported regularly to senior management according to the Company's credit management policies and procedures. The amount outstanding at reporting date represents the maximum exposure to credit risk.

Cash and cash equivalents of the Group are deposited with a number of trading banks in New Zealand and overseas: \$53,000 is deposited with a NZ trading bank (2018: \$26,000), \$242,000 (2018: \$465,000) with a British trading bank and \$143,000 (2018: \$176,000) with an Irish trading bank. The Group uses banks with credit ratings of AA – BB.

Notes to the Consolidated Financial Statements

27.3. Liquidity Risk

The Group maintains regular forecasts of liquidity based on expected cash flows. The table below analyses the Group's financial liabilities into relevant groups based on the remaining period at the reporting date to the end of the contractual date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
At 31 March 2019				
Bank overdraft	148	-	-	-
Trade payables	2,658	-	-	-
Other payables	1,907	-	-	-
Short term finance loan	1,121	221	-	-
Related party loan	2,621	-	-	-
Convertible loan	1,781	-	-	-
CVA Creditors (UK)	22	-	-	-
	10,258	221	-	-
	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
At 31 March 2018				
Bank overdraft	1,180	-	-	-
Trade payables	2,436	-	-	-
Other payables	2,168	-	-	-
Short term finance loan	982	361	-	-
Related party loan	1,725	-	-	-
Hire Purchase	8	-	-	-
CVA Creditors (UK)	22	-	-	-
	8,521	361	-	-

For further details in relation to the liquidity risk refer to Note 4.

27.4. Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The Group currently monitors capital based on cash requirements and, in order to maintain or adjust the capital structure, generally issues new shares to investors through share issues. The Group and the Company have not been subject to any externally imposed capital requirements during the period. The Group is currently in need of additional capital injections to be able to execute its strategy, for further details of this refer to Note 4.

Notes to the Consolidated Financial Statements**28. Financial instruments by category**

	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Financial assets at amortised cost		
Cash and cash equivalents	450	714
Trade and other receivables	613	2,920
	<u>1,063</u>	<u>3,634</u>
Financial liabilities at amortised cost		
Trade payables	2,658	2,436
Borrowings and other liabilities	5,735	2,958
	<u>8,393</u>	<u>5,394</u>
Financial liabilities at fair value through profit or loss		
Embedded derivative liabilities	<u>538</u>	-

Notes to the Consolidated Financial Statements

29. Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 31 March 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets per the statement of financial position	-	-	-	-
Liabilities per the statement of financial position				
Embedded Derivative Liabilities	-	538	-	-
	-	538	-	-

The fair value for the embedded derivative conversion features (foreign exchange and share options) of the convertible note raised during the current financial year, (refer Note 18.a), has been assessed using Level 2 valuation methods. The value of the embedded derivatives was based on valuation models forecasting predicted forward currency rates and future share price for the share options. Key assumptions in determining the fair value of the embedded derivatives were: risk free rate 1.45%; share exercise rate 6.63 cents; share price volatility 77.9%; implied IR 4.32% - 4.63% per month; average period FX rate (USD) 0.681; end of year FX rate (USD) 0.685. Annual coupon interest rate is 18%, and the monthly effective interest rate is 5.77% - 6.08%

Movement in fair value estimation	31-Mar 2019 \$'000	31-Mar 2018 \$'000
Embedded Derivative Liabilities		
Opening balance	-	-
Value at initial recognition	636	-
Expensed during the year	(98)	-
Closing balance	538	-

30. Prior period error

Refer to Note 19.3 for details of the prior period error and restatement.

31. Post-reporting date events

Nikau Trust, a vehicle associated with Keith Jackson, has advanced short-term funds of \$822k to the company subsequent to reporting date on normal commercial terms. See Note 18(c).

There have been no other events subsequent to reporting date which have a material effect on these consolidated financial statements.

STATUTORY INFORMATION AND CORPORATE GOVERNANCE

Directors Relevant Interests in Company Securities as at 31 March 2019

Substantial Security Holder	Shares Held
Graeme Keith Jackson, Patricia Frances Jackson & Philip Mack Picot	50,051,530
Mike Hutcheson	367,671
Total Number of Shares Held:	50,419,201

Director Dealings in Company Securities

There have been the following transactions in respect of Cooks Global Foods Limited (**CGF** or **Company**) securities by directors of the Company (**Directors**) in the 12 months ending 31 March 2019:

Director	Dealings
Mr. Graeme Keith Jackson	<ul style="list-style-type: none"> Mr. Graeme Keith Jackson is the beneficial holder of 12,877,811 ordinary shares in the Company currently held by Graeme Keith Jackson, Patricia Frances Jackson & Philip Mack Picot.

Interests Register

CGF has D&O insurance which ensures that generally, Directors and officers will incur no monetary loss as a result of actions undertaken by them. CGF has entered an indemnity in favour of its Directors for the purposes of Section 162 of the Companies Act 1993.

Use of Company Information

The Board received no notices from Directors wishing to use Company information received in their capacity as Directors which would not have been ordinarily available.

Other Director Interests

Other directorship appointments during the financial year ended 31 March 2019 held by CGF Directors:

Graeme Keith Jackson	
Arana Holdings Limited	Esquires Middle East & Africa IP Holdings Limited
CFG Employee Share Trust Limited	Esquires Northern Cyprus Limited
Cooks Global Foods Limited	Esquires NZ Franchise Holdings Limited
Cooks Investment Holdings Limited	Esquires Office Limited
Cooks Supply Limited	Esquires Oman Limited
Cotterill & Rouse Limited	Esquires Pakistan Limited
Crux Products Limited	Esquires Port Denarau Marina Limited
Dairy Farm Investments (Brucknell) Limited	Esquires Portugal Limited
Dairy Farm Investments (Management) Limited	Esquires Qatar Limited
Dairy Farm Investments (Ruawhata) Limited	Esquires Romania Limited
Dairy Farm Investments Limited	Esquires Saudi Arabia Limited
Dairyland Products Limited	Esquires Supply No 2 Limited
DFI (Brucknell) Limited	Esquires Turkey Limited
Esquires Asia Limited	Esquires U.A.E. Limited
Esquires Bahrain Limited	Esquires UK 1 Limited
Esquires Canada IP Limited	Franchise Development Limited
Esquires China Limited	Franchise Holdings NZ Limited
Esquires Coffee China Limited	Franchise Management NZ Limited
Esquires Coffee India Limited	Himatangi Farms Limited
Esquires Coffee Malaysia IP Holdings Limited	Independent Dairy Producers Limited
Esquires Coffee Supply Limited	Jackson & Associates Limited
Esquires Egypt Limited	Last Tree Standing Limited
Esquires EP & Bahrain Limited	LSD Global Limited
Esquires Fiji Limited	Nikau Trust
Esquires Global IP Holdings Limited	Resnik Corporation Limited
Esquires India Limited	Scarborough Fair Limited
Esquires Indonesia Limited	Science in Sport Asia Pacific Limited
Esquires Iraq IP Holdings Limited	Tasman Capital Limited
Esquires Jordan Limited	TRS Investments Limited
Esquires Kuwait Limited	Weihai Station Limited
Esquires Malaysia Limited	

Michael George Rae Hutcheson	
2 Life Limited	Lighthouse Ventures Limited
Boston Digital Limited	Lonely Cow Wines Holdings Limited
Cooks Global Foods Limited	On Digital Limited
Eunoia Holdings Limited	Raye Blumenthal Trust
Hotfoot Retail Services Limited	Scarborough Fair Limited
Ice Capital Partners Limited	Tangible Media Limited
Image Centre Holdings Limited	The Lighthouse Ideas Company Limited
Image Centre Publishing Limited	Tradewinds Investment Trust
Lighthouse Ideas Limited	

Paul Valentine Mark Elliott

Agribusiness Investments NZ Limited Agribusiness Solutions NZ Limited Cooks Global Foods Limited EFT Trustees Limited	Elliott Capital Advisors Limited Parawai Point Trustees Limited Time Capital NZ Limited Simple Properties Limited
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Peihuan Wang

Cooks Global Foods Limited Crux Products Limited Jiajiayue Group Limited. (China) Jiajiayue Holding Group Limited (CHINA) Shandong Esquires Management Limited Shandong Jiajiayue Logistics Limited Shandong Jiajiayue Supermarket Limited	Shandong Jialianduo Industry Limited Shandong Shangyue Department Store Limited Shandong Shibale Supermarket Limited Spar China Group LTD. Weihai Jiajiayue Real Estate Development Limited Weihai Station Limited
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Spread of Quoted Security Holders as at 11 July 2019:

RANGE	SHAREHOLDERS		SHARES	
	NUMBER	%	NUMBER	%
1-1,000	269	44.54	267,611	0.05
1,001-5,000	70	11.59	189,791	0.04
5,001-10,000	20	3.31	159,061	0.03
10,001-50,000	111	18.38	3,101,623	0.63
50,001-100,000	30	4.97	2,151,740	0.44
100,001 and over	104	17.21	483,639,422	98.81
TOTAL	604	100.00	489,509,248	100.00

**20 Largest Holdings of Equity Securities
As at 11 July 2019:**

Rank	Investor Name	Total Units	% Issued Capital
1	Jiajiyue Holding Group Limited	148,203,944	30.28
2	Yunnan Metropolitan Construction Investment Group Co Ltd	100,719,640	20.58
3	Graeme Keith Jackson & Patricia Frances Jackson & Phillip Mack Picot	50,051,530	10.22
4	ADG Investments Limited	42,199,758	8.62
5	Cooks Investment Holdings Limited	30,562,207	6.24
6	Suhua He	13,915,182	2.84
7	Shuxin Zhang	9,013,773	1.84
8	PKB Trustees Limited	6,453,562	1.32
9	Graham Maxwell Drury & Gloria Kaye Drury & Srhb 2006 Trustee Company Ltd	6,451,135	1.32
10	Peter James Kirton	5,005,723	1.02
11	Anne Margaret Mervis	4,521,477	0.92
12	Emma Jane Waite	3,275,333	0.67
13	Real Action Group Limited	3,251,334	0.66
14	Ruby Cove Holdings Limited	3,009,068	0.61
15	Lewis Andrew Deeks & Wendy May Stanley & Pompallier Investment Management Limited	2,960,000	0.6
16	Neil Robert Butler & Kim Maree Green & Oac Trustees Limited	2,500,000	0.51
17	Just Cabins Limited	2,490,723	0.51
18	Tasman Capital Limited	2,362,780	0.48
19	New Zealand Central Securities Depository Limited	2,357,239	0.48
20	HMFIC Investments Limited	2,189,525	0.45
		441,493,933	90.17

SUBSTANTIAL PRODUCT HOLDERS

The following information is provided in compliance with section 293 of the Financial Markets Conduct Act 2013 and is stated as at 26 July 2019. The total number of voting financial products of Cooks Global Foods Limited at that date was 489,509,248 and ordinary shares are the only such product on issue.

Holder Name	Number Ordinary Shares held	Disclosure date
Michael George Rae Hutcheson and Michelle Marie Hutcheson	986,980	20 May 2019
Graeme Keith Jackson & Patricia Frances Jackson & Phillip Mack Picot	82,976,517	12 November 2018
Graeme Keith Jackson & Patricia Frances Jackson & Phillip Mack Picot	85,170,065	29 August 2018

Graeme Keith Jackson & Patricia Frances Jackson & Phillip Mack Picot	85,170,065	20 July 2018
Andrew Malcolm Kerslake	44,389,283	20 July 2018

EMPLOYEE REMUNERATION

During the accounting period, the following number of CGF's employees/independent contractors (not being a director) received remuneration and other benefits in that person's capacity as employee/independent contractor of CGF, the value of which exceeded \$100,000 per annum:

Remuneration ranges For CGF Group:	Number of employees 2019	Number of employees 2018
100,000 – 109,999	1	-
110,000 – 119,999	2	-
140,000 – 149,999	-	2
150,000 – 159,999	1	-
160,000 – 169,999	1	1
170,000 – 179,999	2	-
180,000 – 189,999	1	-
190,000 – 199,999	-	1
280,000 – 289,999	-	1

DIRECTOR REMUNERATION AND OTHER BENEFITS

During the accounting period, the Directors of the Company received the following remuneration:

Name	Directors' Fees	Executive Salary	Share based payments
Andrew Malcolm Kerslake	40,000	-	-
Mike Hutcheson	40,000	-	-
Graeme Keith Jackson	-	180,000	-
Paul Elliot	-	-	-
Peihuan Wang	-	-	-

Donations

No donations were made in the 12-month financial period ended 31 March 2019.

CORPORATE GOVERNANCE STATEMENT

ETHICAL STANDARDS

The Board Charter, Code of Ethics and Code of Conduct establish the standards of ethical behaviour expected of Directors and staff. The Board expects Directors, management and staff to personally subscribe to these values and use them as a guide to make decisions. The Audit and Risk Committee has responsibility for monitoring compliance with internal processes, including compliance with the Code of Ethics.

Directors are expected to ensure the potential for conflicts of interests is minimised by restricting involvement in other businesses or in private capacities that could lead to a conflict. In considering matters affecting the Company, Directors are required to disclose any actual or potential conflicts. Where a conflict or potential conflict is disclosed, the Director takes no further part in receipt of information or participation in discussions on that matter. The Board maintains an interests' register and it is reviewed at each board meeting.

Directors, officers, employees and contractors are restricted in their trading of Cooks Global Foods securities and must comply with the Financial Products Trading Policy and Guidelines which is available on the Website.

Should any member of staff have concerns regarding practices that may conflict with the Code of Conduct they are able to raise the matter with the Chief Executive (CEO) or Chair, as appropriate, on a confidential basis. Directors would raise any concerns regarding compliance with the Code of Ethics with the Chair. The Chair of the Board and the Chair of the Audit and Risk Committee note there have been no financial matters raised in this respect in the 2019 financial year.

ROLE OF THE BOARD

The Board of Directors of the Company is elected by the shareholders to supervise the management of the Company. The Board establishes the Company's objectives, overall policy framework within which the business of the Company is conducted and confirms strategies for achieving these objectives. The Board also monitors performance and ensures that procedures are in place to provide effective internal financial control.

The Board is responsible for guiding the corporate strategy and direction of the Company and has overall responsibility for decision making. The Board has delegated responsibility for implementing the Board's strategy and for managing the operations of the Company to the Chairman.

BOARD COMPOSITION AND PERFORMANCE

The Board currently comprises of five Directors including the Chairman & Chief Executive Officer, Keith Jackson.

The Board met once during the year on a formal basis. One subcommittee, being the Audit and Finance Committee, was held outside these meetings on a regular basis as required.

The Chairman's role includes managing the Board; ensuring the Board is well informed and effective; implementing the Company's present strategy; and ensuring effective communication with shareholders.

The Company does not have a formal Director training programme at present.

DIVERSITY

Cooks recognises the wide-ranging benefits that diversity brings to an organisation and its workplaces. Cooks endeavours to ensure diversity at all levels of the organisation to ensure a balance of skills and perspectives are available in the service of our shareholders and customers. To this end, the Board is committed to fostering a culture that embraces diversity.

The Board also has the responsibility of monitoring and promoting the diversity of staff and associated corporate culture, including requiring that recruitment and selection processes at all levels are appropriately structured so that a diverse range of candidates are considered and to avoid conscious and unconscious biases that might discriminate against certain candidates.

The gender balance of the Group's Directors, officers and all employees were as follows:

	As at 31 March 2019			As at 31 March 2018		
	Directors	Officers	Employees	Directors	Officers	Employees
Female	-	-	29	-	-	15
Male	5	1	15	5	1	15
Total	5	1	44	5	1	30

At 31 March 2019, the Group's Directors, officers and all employees 15 nationalities are represented.

REPORTING AND DISCLOSURE

The Board monitors:

- available cash in the Company to ensure there are sufficient funds available to satisfy debts as they fall due; and
- the continued support of the Company's principal creditors, to ensure their continued support of the Company and continued intention to not call up amounts owing to them.

The Board is committed to keeping the market and its shareholders informed of all material information relating to the Company through meeting the obligations imposed under the Listing Rules and relevant legislation such as the Financial Markets Conduct Act 2013.

Cooks' seeks to make disclosures in a timely and balanced way to ensure transparency in the market and equality of information for investors. The Company also recognises the benefits of providing other releases that broaden the market's knowledge of the Company's business and financial performance and seeks, where appropriate, to use communications that achieve this

objective. The Website is a key channel for the distribution of Cooks' information and is updated after documents are disclosed on the NZX.

The Chair of the Board and the CEO are responsible for the day to day management of ensuring these obligations are met. The Board will review compliance with the continuous disclosure obligations at every board meeting.

Directors

Name	Status	Current/Resigned	Sub- committee membership	Attendance*
Keith Jackson	<i>Chairman & CEO Executive</i>	Appointed 18/8/08	Audit & Finance	5
Andrew Kerslake	<i>Non-Executive</i>	Appointed 3/10/13 Resigned 8/03/19	Audit & Finance	5
Mike Hutcheson	<i>Non-Executive Independent</i>	Appointed 3/10/13	Audit & Finance	5
Peihuan Wang	<i>Non-Executive Independent</i>	Appointed 29/4/16	-	2
Zei Hui	<i>Non-Executive Independent</i>	Appointed 29/4/16 Resigned 27/09/18	-	1

RISK MANAGEMENT

The Board reviews practices in relation to identification and management of significant business risk areas and regulatory compliance in the context of the Company's prevailing business strategy.

Under its constitution, the Company may obtain directors' and officers' liability insurance to cover directors acting on behalf of the Company.

SHAREHOLDER RELATIONS

The Company aims to ensure that shareholders are informed of all major developments affecting the Company affairs. Information is communicated to shareholders in the Annual Report, Interim Report, and regular NZX announcements, including major share transactions, acquisitions, store expansion and new franchises and any personnel changes of significance.

STAKEHOLDER INTERESTS

The Board is cognisant of stakeholder interests as they develop and considers policies to deal with different stakeholders accordingly. The Company will maintain public information as described in these policies to give stakeholders access to relevant information.

Directory

Company number: 2089337

Year of incorporation: 2008

Registered office: Level 5, 3 City Road
Auckland 1010

Nature of business: Food & beverage industry

Directors:

Graeme Keith Jackson
Michael George Rae Hutcheson
Peihuan Wang
Paul Valentine Mark Elliot (Appointed 30 May 2019)
Qiang Kui (Appointed 27 February 2019)
Andrew Malcolm Kerlake (Resigned 8 March 2019)
Zhe Hui (Resigned 27 September 2018)

Solicitors: Duncan Cotterill
Wellington

Bankers: ANZ Bank, Auckland

Auditors: BDO Auckland
Auckland

Share registry: Link Market Services Limited
Auckland