



INTERIM REPORT

FOR THE 6 MONTHS TO 30 SEP 2019

ESQUIRES

GROUNDED




 **CRUX**
PRODUCTS

SCARBOROUGH
FAIR

Executive Chairman's Report

Cooks Global Foods Limited ("Cooks") has over the 6 months delivered strong growth in our global coffee operations as we drive towards positive cashflow and earnings.

Revenue for the 6 months to 30 September 2019 increased 32.9% to \$3.9 million from \$2.9 million in the same period a year ago. Revenue was supported by a 7.5% increase in constant currency network store sales from the global coffee store network to \$25.9 million from \$24.1 million in the same period a year ago as store numbers expanded from 100 to 114.

Net operating losses decreased to \$0.6million from \$1.5 million in the same period a year ago, reflecting higher revenue and lower costs associated with new initiatives to drive growth in the UK and Europe.

During the first half of the financial year the company focused on strengthening the core businesses in UK and Ireland, which collectively generated more than 70% of the group's network store sales. The UK business was reorganised with a focus on developing regional master franchisees and the strengthening of operational management. The results are beginning to show through with faster growth in the current financial year as local developers ramp up activity and a lower cost structure. The Irish business grew 17% in coffee network store sales due to the addition of 3 new stores and same store growth of 7.6%.

The company has confirmed its core focus is the franchised café business internationally and consistent with this is now focused exclusively on internal design only for our own franchised cafes. The company continues to review any non-strategic business that does not comply with the above definition.

STATEMENT OF FINANCIAL POSITION

At the end of the financial period the company had a positive bank balance of \$0.57 million.

Borrowings excluding IFRS16 adjustments for leases increased to \$7 million from \$5.7 million from last financial year. The increase includes additional 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. The carrying value in the company's accounts is \$2.4 million.

OUTLOOK

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

Restructuring initiatives instituted last year are delivering real benefits in the 2020 financial year. Further refinement of the core business may lead to divestments over the next twelve months.

BUSINESS PERFORMANCE

THE UNITED KINGDOM

UK store numbers were 41 at the end of September up from 38 at the same time a year ago. Meanwhile, constant currency coffee store sales for the year increased 8.2% to \$10.6 million from \$9.8 million in the same period a year ago. The region also saw a 5% increase in transaction volumes and a 3.2% increase in average transaction values.

The UK business is implementing its strategy to establish regional franchises and as part of this, it has restructured the regional franchise fee and royalty schedule to better incentivise franchisees over the longer term. These changes are projected to significantly accelerate revenue and profit growth in the future. Operating profit in the UK division were \$0.15 million, compared to an operating loss of \$0.47 million in the same period a year ago.

EUROPE (IRELAND)

Constant currency total store sales in the region were \$8.8 million, 17% ahead of the same period a year ago. This result was driven by 7.6% growth in same store sales in Ireland itself plus the impact of three new stores being on stream for the whole period compared to a partial period last year. Operating profit was \$0.48 million up on \$0.06 million last year.

Cooks revenue in the European segment increased to \$0.97 million from \$0.72 million in the same period a year ago. However, the gains were diluted by difficulties in the Romanian business where the regional franchisee failed to live up to expectations and the franchise was terminated.

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.

The profit impact of the global franchising & design operations was a reduced operating loss of \$0.447 million compared to \$0.475 million last year.

SUPPLY AND CORPORATE

Revenue in the supply businesses were largely flat on the same period a year ago at \$0.8 million. The Crux supply business also remained flat, and this was due largely to the timing of shipments to and from its customers offshore. Operating losses rose to \$0.13 million compared to \$0.11 million at the same time a year ago with the increase relating to the marketing investment in the Grounded and Blended coffee brands.

Corporate costs increased to \$0.64 million plus finance cost of \$0.37 million compared with last year at \$0.52 million and finance cost of \$0.24 million.

CHINA

The Chinese business is now treated as an equity-accounted associate. Cooks has an effective 21% stake in the business and booked a \$0.27 million non-cash share of the venture's losses for the period.

After a long period of reorganization, momentum is building in China. In the 6 month period to the end of September 2019 the Chinese business had 9 remaining full café stores and around 35 new style 'express' outlets.

APPENDIX

The following are Non-GAAP reporting metrics which are used in this update:

Network (Store) Sales

Total store sales are the aggregate of sales of all Esquires branded coffee stores, whether franchised or 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. Total network store sales, therefore, have a correlation to the portion of revenue earned by Cooks Global Foods relating to recurring franchise fees. However, they 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.

Constant Currency Network Store Sales

All references to sales and transaction values in this report 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.

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 Group.

Cooks Global Foods Limited
Unaudited Condensed Interim Statement of Comprehensive Income
For the six months ended 30 September 2019

	Notes	Unaudited 6 months 30 September 2019 \$'000	Unaudited 6 months 30 September 2018 \$'000
Continuing operations			
Revenue		3,891	2,928
Other income		2	7
Raw materials and consumables used		(982)	(552)
Depreciation and amortisation		(319)	(117)
Property related costs		(279)	(269)
Net foreign exchange (losses)/gains		187	107
Employee costs		(1,577)	(1,781)
Other expenses		(1,520)	(1,834)
Operating loss		(597)	(1,511)
Finance costs		(623)	(254)
Share of net loss of associate accounted for using the equity method		(269)	(161)
Loss before income tax		(1,489)	(1,926)
Income tax expense		-	-
Loss for the year from continuing operations		(1,489)	(1,926)
Net loss for the year from discontinued operations		-	-
Net loss for the year		(1,489)	(1,926)
Loss attributable to:			
- Shareholders of the parent		(1,484)	(1,926)
- non-controlling interests		(5)	-
		(1,489)	(1,926)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Change in foreign currency translation reserve		(254)	(106)
Other comprehensive income after tax		(254)	(106)
Total comprehensive loss for the year		(1,743)	(2,032)
Attributable to:			
- Shareholders of the parent		(1,738)	(2,032)
- non-controlling interests		(5)	-
		(1,743)	(2,032)
Loss per share:			
Basic and diluted loss per share (New Zealand Cents) from continuing operations:	3	(0.30)	(0.39)

The attached notes form part of, and are to be read in conjunction with these financial statements

Cooks Global Foods Limited
Unaudited Condensed Interim Statement of Changes in Equity
For the six months ended 30 September 2019

<u>Attributable to Equity holders of the Company</u>							
Note	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 2018	42,687	99	1,588	(42,535)	1,839	(68)	1,771
IFRS 15 Revenue adjustment to Accumulated Losses	-	-	-	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 period							
Loss for the period	-	-		(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	-	-	575	-	575	-	575
Total comprehensive income/(loss) for the period	-	150	575	(4,803)	(4,078)	(10)	(4,088)
Transactions with owners of the Company							
Ordinary shares to be issued	(170)	-		-	(170)	-	(170)
Total contributions by owners of the Company	(170)	-		-	(170)	-	(170)
Balance at 31 March 2019	42,517	249	2,163	(48,550)	(3,621)	(78)	(3,699)
Comprehensive loss for the period							
Loss for the period	-	-	-	(1,489)	(1,489)	-	(1,489)
Other comprehensive income Items that may be subsequently reclassified to profit or loss:							
Change in foreign currency translation reserve	(135)	5	-	-	(130)	(5)	(135)
Change in share based payment reserve			37		37	-	37
Total comprehensive income/(loss) for the period	(135)	5	37	(1,489)	(1,582)	(5)	(1,587)
Balance at 30 September 2019	42,382	254	2,200	(50,039)	(5,203)	(83)	(5,286)

The attached notes form part of, and are to be read in conjunction with these financial statements.

Cooks Global Foods Limited
Unaudited Condensed Interim Statement of Financial Position
As at 30 September 2019

		Unaudited 6 months 30 September 2019 \$'000	Audited 12 months 31 March 2019 \$'000
	Notes		
Assets			
Current Assets			
Cash and cash equivalents		566	450
Trade and other receivables		1,033	296
Inventories		193	219
Other current assets	2	2,643	761
Current Assets		4,435	1,726
Non-Current Assets			
Intangible assets		2,922	2,842
Property, plant and equipment	2	3,431	787
Investments accounted for using the equity method		2,419	2,688
Other non-current financial assets	2	14,594	15
Non-current assets		23,366	6,332
Total Assets		27,801	8,058
Liabilities			
Current Liabilities			
Trade and other payables		5,622	4,565
Bank overdraft		-	148
Contract liabilities		54	163
Borrowings and other liabilities	2	4,996	5,514
Current liabilities		10,672	10,390
Non-Current Liabilities			
Contract liabilities		1,299	1,146
Borrowings and other liabilities	2	21,116	221
Non-current liabilities		22,415	1,367
Total Liabilities		33,087	11,757
Net Assets		(5,286)	(3,699)
Equity			
Share capital	3	42,596	42,517
Accumulated losses		(50,253)	(48,550)
Foreign currency translation reserve		254	249
Equity attributable to owners of the parent		(7,403)	(5,784)
Share based equity reserve / Non-controlling interests		2,200	2,163
Non-controlling interest		(83)	(78)
Total equity		(5,286)	(3,699)

The attached notes form part of, and are to be read in conjunction with these financial statements.

Cooks Global Foods Limited
Unaudited Condensed Interim Statement of Cash Flows
For the six months ended 30 September 2019

	Notes	Unaudited 30-Sep 2019 \$'000	Audited 31-Mar 2019 \$'000
Operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		3,518	5,893
<i>Cash was applied to:</i>			
Interest cost	2	(663)	(289)
Payments to suppliers & employees		(3,573)	(8,008)
Net cash applied to operating activities		<u>(718)</u>	<u>(2,404)</u>
Investing activities			
<i>Cash was applied to:</i>			
Net cash disposed on de-recognition		-	-
Purchase of property, plant and equipment		(35)	(194)
Payment for funds owed for business acquisitions		-	-
Net cash applied to investing activities		<u>(35)</u>	<u>(194)</u>
Financing activities			
<i>Cash was provided from:</i>			
Proceeds from borrowings		1,122	3,259
Proceeds from share issue		-	1,139
<i>Cash was applied to:</i>			
Repayment of borrowings		(105)	(1,032)
Net cash provided from financing activities		<u>1,017</u>	<u>3,366</u>
Net increase/(decrease) in cash and cash equivalents		264	768
Cash & cash equivalents at beginning of the year		302	(466)
Cash & cash equivalents at end of the year		<u>566</u>	<u>302</u>
Composition of cash and cash equivalents:			
Bank balances		566	450
Overdraft balances		-	(148)
		<u>566</u>	<u>302</u>

The attached notes form part of, and are to be read in conjunction with these financial statements.

Cooks Global Foods Limited
Unaudited Condensed Interim Statement of Cash Flows
For the six months ended 30 September 2019

The following is a reconciliation between loss after taxation for the period shown in the statement of comprehensive income and net cash flows from operating activities.

	Notes	Unaudited 30-Sep 2019 \$'000	Audited 31-Mar 2019 \$'000
Loss after tax		(1,489)	(4,813)
Add non-cash items:			
Depreciation and amortisation	2	319	264
Share of losses of associate		269	399
Losses from discontinued operations		-	-
Add/(Less) movements in assets/liabilities:			
Inventories		(26)	65
Trade and other receivables		737	1,162
Other short term assets	2	1,882	(145)
Trade and other payables		(1,057)	(39)
Other liabilities	2	(1,506)	540
Contract liabilities		153	163
Net cash flow applied to operating activities		(718)	(2,404)

The attached notes form part of, and are to be read in conjunction with these financial statements.

Cooks Global Foods Limited
Notes to and forming part of the Unaudited Interim Financial Statements
For the six months ended 30 September 2019

Management currently identifies the Group's products and service lines in various geographical locations as its operating segments.

The franchise coffee store business, operating under the Esquires brand, covers geographic segments in the UK, Ireland and Global (covering the NZ Franchise trading entity and all regions owned by third party Master Franchisees). Principal income streams for the franchise business are royalties, coffee product and other retail sales, design and other franchise fees. The supply segment represents the supply of tea/coffee/beverages (through the Scarborough Fair business) and facilitates trade between China and New Zealand and other countries (using its Crux Products business).

Segment information for the reporting period is as follows:

30 September 2019	Continuing operations					Total \$'000
	Global franchising & design \$'000	UK franchising & retail \$'000	Ireland franchising & retail \$'000	Supply \$'000	Corporate \$'000	
Global operational splits						
Revenue	95	2,087	966	743	-	3,891
Other income	-	-	-	-	2	2
Cost of inventories sold	(1)	(305)	(3)	(673)	-	(982)
Depreciation and amortisation	(12)	(262)	(3)	(2)	(40)	(319)
Other expenses	(529)	(1,375)	(485)	(203)	(597)	(3,189)
Operating (loss)/profit	(447)	145	475	(135)	(635)	(597)
Non-current assets						
Intangible assets	62	873	482	-	1,505	2,922
Property, plant and equipment	17	2,958	25	11	420	3,431

30 September 2018	Continuing operations					Total \$'000
	Global franchising & design \$'000	UK franchising & retail \$'000	Ireland franchising & retail \$'000	Supply \$'000	Corporate \$'000	
Global operational splits						
Revenue	404	1,387	720	417	-	2,928
Other income	-	5	-	2	-	7
Cost of inventories sold	(37)	(191)	(2)	(322)	-	(552)
Depreciation and amortisation	(15)	(81)	(18)	-	(4)	(118)
Other expenses	(827)	(1,588)	(637)	(208)	(517)	(3,777)
Operating (loss)/profit	(475)	(468)	63	(111)	(521)	(1,512)
Non-current assets						
Intangible assets	62	873	482	-	1,480	2,897
Property, plant and equipment	23	247	28	2	23	323

Cooks Global Foods Limited
Notes to and forming part of the Unaudited Interim Financial Statements
For the six months ended 30 September 2019

1. General information

Cooks Global Foods Limited (“Company” or “Parent”), together with its subsidiaries (the “Group”) operate in the food and beverage industry.

The Company is a limited liability company incorporated and domiciled in New Zealand and is listed on the NZX Main Market board of the New Zealand stock exchange, having transitioned from the Alternative Market Board during the half year.

Statutory base

The Company is registered under the Companies Act 1993 and is a FMC reporting entity under part 7 of the Financial Markets Conduct Act 2013.

Reporting framework

The unaudited interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (“IFRS”) and other applicable New Zealand Reporting Standards as appropriate for profit-oriented entities. The financial statements comply with IFRS. These policies have been consistently applied to all periods presented, unless otherwise noted.

These financial statements for the six months ended 30 September 2019 have been prepared in accordance with NZ IAS 34, Interim Financial Reporting and should be read in conjunction with the financial statements published in the Annual Report for the year ended 31 March 2019. They also comply with the International Accounting Standard 34 interim Financial Reporting (IAS 34).

Details of entities over which control has been gained or lost during the period

N/A

Details of associates and joint venture entities entered into during the period

N/A

2. Changes in significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2019. The Group has not applied any standards, amendments and interpretations that are not yet effective.

The changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 March 2020.

The Group has initially adopted NZ IFRS 16 Leases from 1 April 2019.

NZ IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. As a lessor, the Group has recognised lease receivables representing its right to receive lease payments.

Cooks Global Foods Limited
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For the six months ended 30 September 2019

The Group has applied NZ IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under NZ IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under NZ IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to NZ IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied NZ IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under NZ IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under NZ IFRS 16 was only applied to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

b) As a lessee

The Group leases store and office properties. As a lessee, the Group previously classified these leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under NZ IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is:

- a change in future lease payments arising from a change in an index or rate;
- a change in the estimate of the amount expected to be payable under a residual value guarantee;
- changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised; or
- any other change in the future lease payments or the lease term due to a lease modification that's not accounted for as a separate lease.

Cooks Global Foods Limited
Notes to and forming part of the Unaudited Interim Financial Statements
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The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impact the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified all its leases as operating leases under NZ IAS 17. These include store and office properties. The lease terms of these leases typically range from 10 to 20 years. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period, or an option to terminate the lease prior to the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices or market rental rates.

At transition, for leases classified as operating leases under NZ IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the exemption to not recognise right-of-use assets and liabilities of leases for which the underlying assets are of low value; and
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

c) As a lessor

The Group subleases the majority of its leased store properties to its franchisees. The Group has classified these subleases as finance leases.

The accounting policies applicable to the Group as a lessor are not different from those under NZ IAS 17. However, when the Group is an intermediate lessor the subleases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Significant accounting policies

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, or the right-of-use asset in the case of a sublease. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Where the lease is classified as an operating lease, the Group recognises the lease payments from the operating lease as income on a straight-line basis.

Cooks Global Foods Limited
Notes to and forming part of the Unaudited Interim Financial Statements
For the six months ended 30 September 2019

Where the lease is classified as a finance lease, the Group recognises the assets held under a finance lease in its statement of financial position and present them as a lease receivable at an amount equal to the net investment in the lease. The net investment in the lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or in the case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease). The lease receivable is subsequently increased by the interest income on the lease receivable and decreased by lease payment received. It is remeasured when there is a lease modification that is not accounted for as a separate lease.

Transition

Previously, the Group classified all its subleases as operating leases under NZ IAS 17. On transition to NZ IFRS 16, these leases were reassessed and classified as finance leases, since the subleases were for the whole of the remaining terms of the head leases. These subleases have been accounted for as new finance leases entered into at the date of initial application.

At transition, the right-of-use assets recognised from the head leases were disposed by entering into finance leases. Since the interest rate implicit in the subleases cannot be readily determined, the discount rates used for the head leases were used for measuring the lease receivables associated with the subleases. Since the sublease contracts are further like-for-like when compared to the head leases (e.g. same duration and payments), no gain or loss was recognised on the disposal of the right-of-use assets and the initial recognition of the lease receivables. Subsequently, the interest income from the subleases is further equal to the interest expense incurred on the related head leases.

Impact on financial statements

Impacts on transition

On transition to NZ IFRS 16, the Group recognised additional right-of-use assets, lease receivables and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 April 2019 \$'000
Right-of-use assets	2,854
Lease receivables	14,494
Lease liabilities	(17,347)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. When measuring lease receivables for subleases that were classified as finance leases, the Group discounted lease payments using the discount rates used in the head leases.

Impacts for the period

As a result of initially applying NZ IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised \$2,896,000 of right-of-use assets, \$15,973,000 of lease receivables, and \$18,671,000 of lease liabilities as at 30 September 2019.

Also in relation to those leases under NZ IFRS 16, the Group has recognised depreciation expense and interest expense instead of operating lease expense. For subleases classified as finance leases under NZ IFRS 16, the Group has recognised interest income instead of rent income. During the six months ended 30 September 2019, the Group recognised \$248,000 of depreciation expense, \$557,000 of interest expense, and \$494,000 of interest income from these leases.

Cooks Global Foods Limited
Notes to and forming part of the Unaudited Interim Financial Statements
For the six months ended 30 September 2019

3. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the period.

Diluted loss per share is determined by dividing the loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of any dilutive potential ordinary shares.

Net tangible assets per share is determined by dividing the net asset value of the Group, adjusted by the intangible assets, and the number of shares issued at the end of the period.

	30-Sep-19	31-Mar-19
Weighted average ordinary shares issued	489,509,248	489,509,248
Basic and diluted loss per share (New Zealand Cents) from continuing and discontinued operations:	(0.30)	(0.98)
Basic and diluted loss per share (New Zealand Cents) from continuing operations:	(0.30)	(0.98)
Net tangible assets per share (New Zealand Cents) :	(1.68)	(1.34)

4. 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. The par value is nil (2019: nil). All shares are equally eligible to receive dividends and the repayment of capital.

Movements of share capital	30-Sep-19	31-Mar-19
<i>Number of Shares issued:</i>	No. of Shares	No. of Shares
Ordinary shares opening balance	489,509,248	489,509,248
Ordinary shares issued	-	-
Ordinary shares bought back on-market and cancelled	-	-
Total ordinary shares authorised at 31 March	<u>489,509,248</u>	<u>489,509,248</u>

Movements of share capital	30-Sep-19	31-Mar-19
<i>Value of Shares issued:</i>	\$'000	\$'000
Ordinary shares opening balance	42,517	42,687
Ordinary shares issued less share issue expenses	-	-
Ordinary shares bought back on-market and cancelled	-	-
Ordinary shares to be issued	-	(170)
Total ordinary shares authorised at period end	<u>42,517</u>	<u>42,517</u>

At 30 September 2019, \$nil of the ordinary share capital is unpaid (31 March 2019: \$nil).

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5. 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, TRS Investments Limited, Dairy Farm Investments Limited, Dairy Farm Investments (Ruawhata) Limited, Jackson & Associates Limited, Weihai Station Limited and a trustee of Nikau Trust.

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.

Transactions with related parties

The value of transactions with related parties during the periods were:

	30-Sep 2019 \$'000	31-Mar 2019 \$'000
<i>Purchases of goods and services</i>		
Purchase of management services	120	185
Property rental agreement with related party	-	-
Purchase of other services	-	-
<i>Interest paid to related party</i>	182	205
<i>Other transactions</i>		
Satisfaction of related party receivables	-	998
Subscriptions for new ordinary shares	-	-
Funding loans advanced by related parties	1,122	1,728
Subscriptions for ordinary shares to be issued	-	-

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Balances outstanding with related parties

	30-Sep	31-Mar
	2019	2019
	\$'000	\$'000
<i>Outstanding balances arising from purchases of goods and services</i>		
Entities controlled by key management personnel	252	256
Other related parties	3,889	2,621
<i>Loans to/from related parties</i>		
<i>Loans to related party</i>		
Beginning of the year	-	1,302
Loan reduction	-	(1,302)
End of period	<u>0</u>	<u>0</u>
<i>Loans from related party</i>		
Beginning of the year	2,621	1,725
Loans advanced	1,122	1,728
Satisfaction of related party receivables	-	(998)
Interest charged	182	205
Interest paid	(36)	(39)
End of period	<u>3889</u>	<u>2621</u>

6. Capital Commitments, Contingent Liabilities

There were no capital commitments as at 30 September 2019 (31 March 2019: \$nil).

There were no changes in capital commitments, contingent liabilities and contingent assets that would require disclosure for the six months ended 30 September 2019 (31 March 2019: \$nil).

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7. Going Concern

The Group reported a loss of \$1,489,000 (2018: \$1,926,000) and operating cash outflows of \$718,000 (2018: \$964,000) for the six-month period to 30 September 2019.

As at 30 September 2019 the Group has reported net liabilities of \$5,286,000 (2018: Net Liabilities of \$3,231,000) and current liabilities exceed current assets by an amount of \$6,237,000 (2018: \$7,258,000).

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 6 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 an 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 investment discussions in the United Kingdom with existing and prospective Regional Franchisors to realise NZ\$1.2 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\$3.67 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.

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 up to NZ\$2 million in the United Kingdom, regional franchise sales of NZ\$1.2 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 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.

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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.

8. Subsequent Events

The Company has agreed to extend the date out to 31 March 2020 by which Cooks Investment Holdings Limited (CIHL), a company associated with Executive Chairman Keith Jackson, must satisfy the terms of the equity underwriting agreement entered into in March 2017. This to enable the underwritten shares to be available as part of the broader funding discussions being currently undertaken with other potential funding parties.

There were no other material events subsequent to the end of the six-month period ended 30 September 2019 that would require disclosure.

9. NZ IFRS 15 "REVENUE FROM CONTRACT WITH CUSTOMERS"

NZ IFRS 15 Introduces a five-step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods and services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group elected to apply the retrospective cumulative effect method, with no restatement of comparative period amounts. The cumulative effect of applying the new standard was included as an adjustment to the opening balance of retained earnings recognised in the Statement of Changes in Equity for the 12 months ended 31 March 2019.

From the 1st April 2018 any new franchise income or licence fee income was spread over the life of the agreement.

The above treatment does not have a direct correlation with cashflows relating to the Group and the change is for financial reporting purposes only.

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10. NZ IFRS 9 “FINANCIAL INSTRUMENTS”

NZ IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39.

The Group considers financial assets to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. Based on historic information and experience, the Group has assessed that there is low risk with its financial assets. The Group has not made any further adjustments for the application of the new standard for the six months ended 30 September 2019 other than those made at 31 March 2019.

Company 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 Elliott (Appointed 30 May 2019) Qiang Kui
Solicitors:	Duncan Cotterill Wellington
Bankers:	ANZ Bank, Auckland
Auditors:	BDO Auckland Auckland
Share registry:	Link Market Services Limited Auckland



RESULTS ANNOUNCEMENT

29 November 2019

Results for announcement to the market		
Name of issuer	Cooks Global Foods Limited	
Reporting Period	6 months to 30 September 2019	
Previous Reporting Period	6 months to 30 September 2018	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$3,891	32.9%
Total Revenue	\$3,891	32.9%
Net profit/(loss) from continuing operations	\$(1,489)	22.7%
Total net profit/(loss)	\$(597)	60.7%
Interim/Final Dividend		
Amount per Quoted Equity Security	\$0.00	
Imputed amount per Quoted Equity Security	\$0.00	
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$(1.68)	\$(1.02)
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please see attached Half Year Report	
Authority for this announcement		
Name of person authorised to make this announcement	Keith Jackson	
Contact person for this announcement	Keith Jackson	
Contact phone number	+64 9 304 0567 ext. 714	
Contact email address	keith.jackson@cookglobalfoods.com	
Date of release through MAP	29/11/2019	

Unaudited financial statements accompany this announcement.