

REPORT FOR THE 12 MONTHS TO 31 MARCH 2022

## Cooks re-building with positive recovery from Covid-19

### SUMMARY

- Cooks Coffee Company reports net profit before tax from both continuing and discontinued operations was \$0.34 million which compared to the prior period loss of \$2.62m. The results reflect the recovery of café sales particularly in the UK, the full year contribution of the Triple Two acquisition and the benefits of prior restructuring and reduction of costs.
- The recovery in café sales in the UK where government restrictions on trading were relaxed from mid-July 2021 was positive with store sales in FY22 being 123% of the pre covid FY2019 year.
- In Ireland where the government restrictions did not relax until February 2022 the store sales were 75% of FY2019 figures. Store sales for Q4 (January – March) in Ireland were 97% of FY2019 equivalent. The trend points to sales recovering above pre covid levels providing that restrictions remain lifted.
- The acquisition of the fast-growing Triple Two Coffee business in June 2020 has added scale to the core UK market and placed Cooks as the #4 Coffee focused café chain in the UK according to Allegra Research. Triple Two had 20 cafes at the end of March 2022.
- Total group revenue from continuing activities increased 283.2% to \$6.7 million.
- Cooks completed steps to restructure the balance sheet and with a combination of cash injections and debt to share conversions, company debt has been reduced by \$3.3m as at 31<sup>st</sup> March 2022.
- Total Equity in the company improved to a positive \$3.1m from negative equity of \$1.7m last year.
- With much of its business activity in the United Kingdom and Ireland, the company is planning for a potential dual public listing in the UK in the near future.
- The company has changed its name to Cooks Coffee Company to better reflect the business that it is involved in and undertook a 15:1 share conversion on 30<sup>th</sup> March 2022.
- The company has appointed to the Board Michael Ambrose, who is an experienced and well-respected company director.

Cooks Executive Chairman Keith Jackson said that the year was the beginning of the recovery from the impact of the Covid-19 pandemic with the UK showing strong resilience, the recovery was expected to continue, and the store growth was expected to resume as Cooks works to consolidate its position as the 4<sup>th</sup> largest coffee focused café chain in the UK.

## **BALANCE SHEET**

Total Equity in the company improved to a positive of \$3.1m from a negative position of \$1.7m last year. This improvement arose primarily from capital raising and debt conversions.

Borrowings reduced by \$3.3m from \$6.5m last year to \$3.2m this year. The reduction included the debt conversion of \$2m by parties related to the Chairman, Keith Jackson along with other debt to share conversions and some debts paid down.

Management assessed the Value in Use for the UK Triple Two business unit and as a result of this assessment impaired Goodwill by \$5.5m. Main considerations for this impairment related to reassessing forecasts off the back of the Covid pandemic and the likely slow return to a more normalised business environment.

Contingent consideration was also reviewed against the terms of the original acquisition agreement for the Triple Two business and the forecast earnout likely to crystallise with the final earn out period ending 31 December 2022. This review resulted in \$6.3m of contingent consideration payable being derecognised and an appropriate reduction in the previously recognised liability.

## **OPERATIONAL BUSINESS PERFORMANCE**

### **THE UNITED KINGDOM**

Esquires UK store numbers increased to 47 at the end of March. During the year, 3 new stores were opened and 2 were closed whilst 1 store was re-opened after a period of closure during covid.

### **TRIPLE TWO COFFEE**

The Triple Two network that was acquired in June 2020, opened 10 new stores during the financial year and there were 20 cafes operating at the end of the financial year. Triple Two was identified as a “rising star” by IGD (Institute of Grocery Distribution) in a report into the UK Coffee Sector.

## UK SUMMARY

With 67 stores operating at the end of March the group are the 4<sup>th</sup> largest coffee focused café chain in the UK after Costa, Starbucks & the Caffè Nero group, based on Allegra Research data. The growth pathway remains positive and with the combined Esquires and Triple Two brands we believe we have a scalable business with critical mass and are well placed to deliver strong and sustainable results.

## IRELAND

Outlet numbers at the end of the year were 15 and there is an encouraging pipeline of new stores in development for the balance of 2022 and beyond.

## GLOBAL

Cooks operating revenue in the segment was \$0.3 million compared to last year's operating revenue of \$0.2 million as the international franchised markets recovered in the Middle East in particular.

Saudi Arabia expanded with the addition of new stores in Mecca and Jeddah where a new store was opened at the new international airport in February 2022.

## SUMMARY

FY22 has shown the benefits of the resilience of the company's brands and the strength of its core markets in the UK and Ireland that position the company well for future growth and development.



## ABOUT COOKS COFFEE COMPANY

Cooks Global Foods operates in world markets and is listed on the NZX market operated by NZX Limited in New Zealand under the code CCC. It owns the intellectual property and master franchising rights to Esquires Coffee Houses worldwide (excluding New Zealand and Australia) & Triple Two Coffee globally. Cooks currently operates or franchises: Esquires Coffee in the United Kingdom, Ireland, Portugal, Bahrain, Kuwait, Saudi Arabia, Jordan, Pakistan & Indonesia; Triple Two Coffee in the United Kingdom and for more information visit: [www.cookscoffeecompany.com](http://www.cookscoffeecompany.com)



NEW ZEALAND'S EXCHANGE  
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## Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Updated as at 17 October 2019

Results for announcement to the market		
Name of issuer	Cooks Coffee Company Limited	
Reporting Period	12 months to 31 March 2022	
Previous Reporting Period	12 months to 31 March 2021	
Currency		
	Amount (000s)	Percentage change
Revenue from continuing operations	\$6,659	283.2%
Total Revenue	\$6,659	283.2%
Net profit/(loss) from continuing operations	\$649	125.6%
Total net profit/(loss)	\$339	113.3%
Interim/Final Dividend		
Amount per Quoted Equity Security	It is not proposed to pay a dividend.	
Imputed amount per Quoted Equity Security	N/A	
Record Date	N/A	
Dividend Payment Date	N/A	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	(\$0.19)	(\$0.50)
A brief explanation of any of the figures above necessary to enable the figures to be understood	Cooks undertook a 1 for 15 share consolidation on 31 March 2022. For comparability, the consolidation has been applied to Net Tangible Assets per Quoted Equity Security for the prior comparable period. Refer to attached financial results and commentary.	
Authority for this announcement		
Name of person authorised to make this announcement	Keith Jackson	
Contact person for this announcement	Keith Jackson	
Contact phone number	021 702 509	
Contact email address	<a href="mailto:keith.jackson@cookscoffeecompany.com">keith.jackson@cookscoffeecompany.com</a>	
Date of release through MAP	30 May 2022	

Unaudited financial statements accompany this announcement.

## Appendix 1 Release

30 May 2022



### Cooks Coffee Company Limited

This document covers Cooks Coffee Company Limited's unaudited financial results for the year ended 31 March 2022

#### A: Cooks Coffee Company Limited Preliminary announcement for the year ended 31 March 2022

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

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates, and is based on unaudited financial statements. In the prior year, the Audit Report has made note of Material Uncertainty related to Going Concern.

The accounting policies used in the preparation of these financial statements are consistent with those used in the interim statements for the six months ended 30 September 2021, and in the audited financial statements for the year ended 31 March 2021.

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

#### B: Consolidated Statement of Financial Performance

	<b>Unaudited Mar-22 \$NZ '000</b>	<b>Up / Down %</b>	<b>Audited. Mar-21 \$NZ '000</b>
Revenue	6,569	283.2%	1,714
Cost of sales	(1,212)	(777.7%)	(138)
<b>Gross profit</b>	<b>5,357</b>	<b>239.9%</b>	<b>1,576</b>
Operating expenses and staff costs	(4,927)	(42.9%)	(3,449)
Impairment of provision credit losses	(123)	(155.9%)	(48)
Other income	449	(55.7%)	1,013
<b>Operating profit/(loss) before depreciation and amortisation</b>	<b>756</b>	<b>183.2%</b>	<b>(908)</b>
Depreciation and amortisation	(627)	23.4%	(819)
<b>Operating profit/(loss)</b>	<b>129</b>	<b>107.4%</b>	<b>(1,727)</b>
Interest Income	1,076	(6.2%)	1,147
Impairment of Goodwill	(5,528)	-	-
Finance costs	(1,296)	36.4%	(2,038)
Revaluation of contingent consideration payable	6,265	-	-
<b>Profit/(Loss) before income tax</b>	<b>646</b>	<b>124.7%</b>	<b>(2,618)</b>
Income tax benefit/(expense)	3	(96.2%)	79
<b>Net Profit/(Loss) for the year from continuing operations</b>	<b>649</b>	<b>125.6%</b>	<b>(2,539)</b>
<b>Net Profit/(Loss) for the year from discontinued operations</b>	<b>(310)</b>	<b>(5457.8%)</b>	<b>(6)</b>
<b>Net Profit/(Loss) for the year</b>	<b>339</b>	<b>113.3%</b>	<b>(2,545)</b>
<b>Earnings Per Share (Cents per share):</b>	<b>0.05</b>		<b>(0.42)</b>

**C: Consolidated Statement of Financial Position**

	Unaudited Mar-22 \$NZ '000	Up / Down %	Audited Mar-21 \$NZ '000
<b>Assets</b>			
Cash and cash equivalents	1,156		886
Trade and other receivables	1,303		4,615
Other current assets	806		1,274
Assets classified as held-for-sale	18		29
Property, plant and equipment	204		78
Right-of-use assets	3,163		715
Lease receivables	15,227		18,283
Other non-current assets	15		15
<b>Total tangible assets</b>	<b>21,892</b>	<b>(15.5%)</b>	<b>25,895</b>
Goodwill	5,913		11,569
Intangible assets	7,262		7,495
<b>Total assets</b>	<b>35,067</b>	<b>(22.0%)</b>	<b>44,959</b>
<b>Liabilities</b>			
Trade and other payables	8,269		12,356
Contingent Consideration	-		6,431
Lease liabilities	18,751		19,080
Borrowings - Loans	3,249		6,499
Other liabilities	481		1,008
Deferred tax liabilities	1,250		1,306
<b>Total liabilities</b>	<b>32,000</b>	<b>31.4%</b>	<b>46,680</b>
<b>Net (liabilities)/assets</b>	<b>3,067</b>	<b>278.2%</b>	<b>(1,721)</b>
<b>Equity</b>			
Share capital	56,789		52,220
Accumulated losses	(56,213)		(56,550)
Foreign currency translation reserve	90		208
Share based equity reserve	2,401		2,401
<b>Total equity attributable to equity holders of the Company</b>	<b>3,067</b>	<b>278.2%</b>	<b>(1,721)</b>
<b>Total equity</b>	<b>3,067</b>	<b>278.2%</b>	<b>(1,721)</b>
<b>Net tangible assets per share</b>	<b>Cents (19.05)</b>		<b>Cents (49.66)</b>

**D: Statement of Changes in Equity**

	Unaudited Mar-22 \$NZ '000	Up / Down %	Audited Mar-21 \$NZ '000
<b>Profit/(Loss) for the period</b>	<b>339</b>	<b>113.4%</b>	<b>(2,545)</b>
Net increase in issued share capital	4,568		6,671
Foreign currency translation reserve	(119)		58
Option to purchase own shares	-		(194)
<b>Movements in equity for the period</b>	<b>4,788</b>	<b>20.0%</b>	<b>3,990</b>
<b>Equity at start of the period</b>	<b>(1,721)</b>		<b>(5,711)</b>
Share based payment reserve	-		-
<b>Equity at end of the period</b>	<b>3,067</b>	<b>278.2%</b>	<b>(1,721)</b>

**E: Consolidated Statement of Cash Flows**

	Unaudited Mar-22 \$NZ '000	Up / Down %	Audited Mar-21 \$NZ '000
<b>Profit/(Loss) for the period</b>	<b>339</b>	<b>113.3%</b>	<b>(2,545)</b>
<b>Add/(Less):</b>			
Depreciation & Amortisation	627		819
Impairment of Goodwill	5,528		-
Reduction in contingent consideration payable	(6,265)		-
Net movements in working capital	(324)		2,337
<b>Net cash flow from operating activities</b>	<b>(95)</b>	<b>(115.5%)</b>	<b>611</b>
<b>Net cash flow from investing activities</b>	<b>32</b>	<b>102.2%</b>	<b>(1,445)</b>
<b>Net cash flow from financing activities</b>	<b>333</b>	<b>(77.3%)</b>	<b>1,465</b>
<b>Net (decrease)/increase in cash held</b>	<b>270</b>	<b>(57.2%)</b>	<b>631</b>
Opening bank balance	886		255
Closing bank balance	1,156		886
<b>Made up as follows:</b>			
Cash and cash equivalents	1,156	30.4%	886

F: **Material Acquisition of Subsidiaries** N/A

G: **Material Disposal of Subsidiaries** N/A

H: **Material Investment in Associate** N/A

I: **Issued and Quoted Securities at End of Current Period**

Category of Securities Issued	Number	Quoted
<b>ORDINARY SHARES:</b>		
Total number of shares on issue	53,059,493	51,726,160
Shares issued during the current period (pre-Consolidation)	168,058,569	148,058,569

**Share Consolidation**

On 30 March 2022, Cooks Coffee Company Limited consolidated its shares on a 15:1 basis. Cooks has 51,726,160 quoted shares and 1,333,333 non-voting shares on issue.

J: **Comments by Directors**

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

**Refer to Commentary.**

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

**Refer to Commentary.**

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

**Nil**

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

- Treatment of Leases
- Revenue from Contracts with Customers
- Discontinued Operations
- Impairment of Assets
- Amortisation of Intangibles and Goodwill
- Contingent Consideration

**NZ IFRS 16 "Leases"**

**a) As a lessee**

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 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.

**b) As a lessor**

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.

**NZ IFRS 15 "Revenue from Contracts with Customers"**

Under NZ IFRS 15 Revenue from Contracts with Customers, 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.

**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 by Franchisees that are reported back to Company on a monthly basis for sales that occurred in that month.

**Franchise fees**

The Group recognises revenue derived from its Country & Regional 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 contracts is not adjusted for these transferred franchise rights. Revenue from the sale of individual café franchises is recognised over time.

The Group recognises Franchise Fees derived from the franchise agreement entered by Triple Two Coffee at the point in time when the franchised store is open for trading with the exception for Territory Fees. This is on the basis that Triple Two Coffee has satisfied all its performance obligations specified in its agreements for the Franchise Fees. Payment is received upfront upon signing the franchise contract.

The Group recognises the Territory Fee 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 upon signing the franchise contract.

**Other Revenue**

Other revenue includes services to independent franchisees or third parties received by the Group.

**Discontinued Operations**

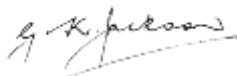
The UK Sunderland store is the last in discontinued operations still to be closed, as the Lancaster store closed in February 2022. The lease for this store is currently being renegotiated, and the Group expect this to be sold in FY2023.

**Goodwill Impairment**

Management have assessed the Value in Use for the UK Triple Two business and as a result have determined a Goodwill impairment charge of \$5.528m. Management reviewed actual performance since the date of acquisition against the original forecasts, impacted by the Covid pandemic and key receivables being written off during the year, when reassessing the FY23 and FY24 forecasts. Additionally, consideration was given to existing market constraints in the UK around materials and labour, as well as store site availability and capacity constraints relating to the construction of new cafes.

**Contingent Consideration**

Based on the terms of the original Sale and Purchase Agreement relating to the acquisition of the UK Triple Two business, management have reviewed the likely quantum of contingent consideration likely to crystallise at the end of the final earn out period. This assessment takes into account actual cash flows generated relating to periods already completed, and revisiting cash flow forecasts to the end of the last earn out period (31 December 2022), using management's knowledge of Triple Two business performance to date, and the likely impact on remaining forecast figures of the current economic environment. As a result of this review, \$6.158m of contingent consideration has been derecognised and written back against the previously recognised liability.



30/05/2022

(signed by) Authorised Officer of Listed Issuer

(date)



**Appendix 2 Release**  
**Cooks Coffee Company Limited**



	Continuing Operations			
	Unaudited	Unaudited	Unaudited	Total \$'000
	Global Franchising & Retail	UK & IRE Franchising	New Zealand	
	\$'000	\$'000	\$'000	
<b>31/03/2022</b>				
<b>Global operational splits</b>				
Revenue	255	6,313	1	6,569
Other income	-	449	-	449
Raw materials and consumables used	-	(1,212)	-	(1,212)
Depreciation and amortisation	(1)	(623)	(3)	(627)
Property related costs	-	129	(1)	128
Net foreign exchange (losses)/gains	(4)	(3)	(55)	(62)
Employee costs	(64)	(2,186)	(378)	(2,628)
Other expenses	(165)	(1,627)	(695)	(2,487)
<b>Operating Profit/(Loss)</b>	<b>21</b>	<b>1,240</b>	<b>(1,131)</b>	<b>130</b>
Finance costs	(18)	(71)	(131)	(220)
Loss on available for sale assets	-	-	-	-
Revaluation of contingent consideration payable	-	6,265	-	6,265
Impairment of goodwill	-	(5,528)	-	(5,528)
<b>Profit/(Loss) before income tax</b>	<b>3</b>	<b>1,906</b>	<b>(1,262)</b>	<b>647</b>
Income tax (expense)/credit	-	2	-	2
<b>Profit/(Loss) for the year from continuing operations</b>	<b>3</b>	<b>1,908</b>	<b>(1,262)</b>	<b>649</b>
<b>Non-current assets</b>				
Intangible assets	42	5,739	1,481	7,262
Property, plant and equipment	1	200	3	204
Goodwill	-	6,239	-	6,239

	Discontinued Operations			
	Unaudited	Unaudited	Unaudited	Total \$'000
	UK Retail	USA Franchising & Retail	Supply	
	\$'000	\$'000	\$'000	
<b>31/03/2022</b>				
<b>Global operational splits</b>				
Revenue	620	-	-	620
Other income	-	-	-	-
Raw materials and consumables used	(183)	-	-	(183)
Depreciation and amortisation	(100)	-	-	(100)
Property related costs	(182)	-	-	(182)
Net foreign exchange (losses)/gains	(0)	-	-	(0)
Employee costs	(319)	-	-	(319)
Other expenses	(110)	-	-	(110)
<b>Operating Profit/(Loss)</b>	<b>(274)</b>	<b>-</b>	<b>-</b>	<b>(274)</b>
Finance costs	(4)	-	-	(4)
Loss on available for sale assets	(32)	-	-	(32)
Revaluation of contingent consideration payable	-	-	-	-
Impairment of goodwill	-	-	-	-
<b>Profit/(Loss) before income tax</b>	<b>(310)</b>	<b>-</b>	<b>-</b>	<b>(310)</b>
Income tax (expense)/credit	-	-	-	-
<b>Profit/(Loss) for the year from discontinued operations</b>	<b>(310)</b>	<b>-</b>	<b>-</b>	<b>(310)</b>
<b>Non-current assets</b>				
Intangible assets	-	-	-	-
Assets held for Sale	18	-	-	18

31/03/2021	Continuing Operations			
	Audited	Audited	Audited	Total \$'000
	Global Franchising & Retail	UK & IRE Franchising	New Zealand	
	\$'000	\$'000	\$'000	
<b>Global operational splits</b>				
Revenue	212	1,502	-	1,714
Other income	(2)	938	77	1,013
Raw materials and consumables used	-	(138)	-	(138)
Depreciation and amortisation	(12)	(762)	(45)	(819)
Property related costs	(27)	76	(49)	(0)
Net foreign exchange (losses)/gains	19	-	351	370
Employee costs	(182)	(1,899)	(178)	(2,260)
Other expenses	(338)	(701)	(569)	(1,607)
<b>Operating Profit/(Loss)</b>	<b>(330)</b>	<b>(983)</b>	<b>(413)</b>	<b>(1,727)</b>
Finance costs	(2)	(114)	(776)	(892)
Impairment of investment in associate	-	-	-	-
Share of net loss of associate accounted for using the equity method	-	-	-	-
<b>Profit/(Loss) before income tax</b>	<b>(332)</b>	<b>(1,097)</b>	<b>(1,190)</b>	<b>(2,619)</b>
Income tax (expense)/credit	-	80	-	80
<b>Profit/(Loss) for the year from continuing operations</b>	<b>(332)</b>	<b>(1,017)</b>	<b>(1,190)</b>	<b>(2,539)</b>
<b>Non-current assets</b>				
Intangible assets	32	5,981	1,481	7,495
Property, plant and equipment	1	71	6	78
Goodwill	-	11,569	-	11,569

31/03/2021	Discontinued Operations			
	Audited	Audited	Audited	Total \$'000
	UK Retail	USA Franchising & Retail	Supply	
	\$'000	\$'000	\$'000	
<b>Global operational splits</b>				
Revenue	626	-	106	732
Other income	282	-	98	380
Raw materials and consumables used	(62)	-	(83)	(145)
Depreciation and amortisation	-	-	-	-
Property related costs	-	-	-	-
Net foreign exchange (losses)/gains	-	-	4	4
Employee costs	(393)	-	(4)	(397)
Other expenses	(579)	-	-	(579)
<b>Operating Profit/(Loss)</b>	<b>(126)</b>	<b>-</b>	<b>121</b>	<b>(5)</b>
Finance costs	-	-	(1)	(1)
Impairment of investment in associate	-	-	-	-
Share of net loss of associate accounted for using the equity method	-	-	-	-
<b>Profit/(Loss) before income tax</b>	<b>(126)</b>	<b>-</b>	<b>120</b>	<b>(6)</b>
Income tax (expense)/credit	-	-	-	-
<b>Profit/(Loss) for the year from discontinued operations</b>	<b>(126)</b>	<b>-</b>	<b>120</b>	<b>(6)</b>
<b>Non-current assets</b>				
Intangible assets	-	-	-	-
Assets held for Sale	29	-	-	29