

**NZX Release**

**30 May 2023**

**Cooks Coffee**

(“Cooks Coffee”, the “Company” or the “Group”)

**Preliminary results for the year ended 31 March 2023**

*Building a family of brands with community spirit*

Cooks Coffee (NZX:CCC; AQUIS:COOK), the international coffee focused cafe chain and parent company of the Esquires and Triple Two brands, which is dual listed on the Aquis Growth Market in London and the NZX in New Zealand, announces the Company’s Preliminary Report for the financial year ended 31 March 2023.

**Highlights**

- Total Franchisee store sales in the UK and Ireland businesses up 24% at NZ\$53.6m (£27.6m). Group royalty income is derived from these numbers.
- Recurring Group revenue up 15% at NZ\$3.8m (£2.0m)
- Group revenues in the Year of NZ\$6.6m (£3.4m) down 10% on prior year NZ\$7.4m (£3.8m)
- EBITDA of NZ\$0.75m (£0.39m), impacted by credit impairment of NZ\$0.45m (£0.23m)
- Net loss before tax of NZ\$3.2m (£1.7m), reflecting the combined NZ\$3.2m write down of receivables and impairment of goodwill and intangible assets relating to the Triple Two business
- 86 cafe sites in the UK and Ireland as at 31 March 2023 up from 82 as at 31 March 2022
- Cooks Coffee dual listed on the AQUIS Growth market in November 2022
- Appointed Elena Garside as a UK based Non-executive Director
- An additional 5 stores have been opened in the UK and Ireland post year end with further store openings planned

Cooks Coffee continued to see strong growth across its estate during the year, with its Franchisees’ outlet sales in the UK up by 18% and up by 41% in Ireland. Like for like sales were up 13% in the UK and 29% in Ireland, reflecting in part the timing of the removal of Covid restrictions in each country. The overall increase in sales from stores that operated in the reported financial year and the prior financial year was 17%.

Group revenues for the year decreased 10% to NZ\$6.6m (£3.4m), reflecting lower than anticipated one off revenue streams from the opening of new stores. These non-recurring

revenues declined 30% to NZ\$2.86m (£1.48m) from the prior year. The non-recurring revenues in the previous financial year included income relating to the release of franchise fees on hold over the Covid period as well as a significant number of new stores opened by Triple Two. New store construction and fit out work is a feature of the Triple Two model, which operates an internal construction company. With a lesser number of stores opened during the year income was down but there remains a strong pipeline of prospective franchisees and with operational improvements in the business it is expected that growth will continue in the future.

A number of planned store openings during the 31 March 2023 financial year (“FY23”) were deferred into the new financial year due to the effects of supply chain disruptions in Q3 and Q4, which now appear to be easing. In addition, the Group has a strong pipeline of further new stores planned for the current financial year to build on its position as the fourth largest coffee focused café chain in the UK.

**Commenting, Cooks Coffee Executive Chairman Keith Jackson said:** “We are pleased to report strong sales growth across our existing estate of coffee stores as we continue our expansion programme of new store openings. Whilst the delay in certain store openings, particularly in the Triple Two business and the consequential impact of the loss of capital related revenues, has impacted the Group’s financial performance for the year ended 31 March 2023, this has been a transformational period for the Group. We have emerged strongly from the pandemic, which clearly impacted our business. We look forward with confidence to an improved financial performance in the current financial year and to updating on further progress, in particular in relation to the numerous store openings we have planned.”

## **Operational Business Performance**

### *UK & Ireland*

86 Group sites in the UK and Ireland as at 31 March 2023, up from 82 as at 31 March 2022.

Esquires Coffee UK store numbers increased to 51 at 31 March 2023, from 47 as at 31 March 2022, with seven new Esquires stores opened and 3 closed.

The Triple Two network opened four new stores during the year and closed six with 18 Triple Two cafes operating at the end of the financial year.

In Ireland, outlet numbers at the end of the year were 17 and there is an encouraging pipeline of new stores in development for the balance of 2023 and beyond.

## *Global*

Cooks operating revenue in the global segment was in line with the previous financial year as the international franchised markets continue to recover, with Saudi Arabia showing growth at an accelerated rate.

## *Balance Sheet*

Total equity in the company reduced to NZ\$1.4m (£0.7m) reflecting the NZ\$3.2m write down of receivables and the impairment of goodwill and intangible assets relating to the Triple Two business.

The Directors assessed the 'value in use' for the Triple Two business unit as at 31 March 2023 and as a result of this assessment impaired goodwill by NZ\$2.4m (£1.2m). The main considerations for this impairment related to reassessing forecasts and the likely slower than planned return to a higher growth environment. Cooks is addressing structural issues with the Triple Two business to improve the mix between recurring revenue and one-off new store related income streams.

Group share capital increased by NZ\$1.4m (£0.7m) during the year, a combination of debt conversion and cash, whilst borrowings reduced by NZ\$0.7m (£0.4m).

## **Summary**

The year has shown the benefits of the resilience of the Company's franchise model and the importance of establishing recurring revenue streams. Through the opening of additional outlets and the continuing support provided to the Group's existing network, the Group intends to grow its current base and continue to build a strong network of quality outlets.

The performance in the year has also highlighted the difference in the maturity and business models of the long-established Esquires brand, that has been operating for more than 20 years, and the newer Triple Two brand. Esquires has recurring revenues of approximately 85% of its total revenues as compared to Triple Two that has new store related revenues of approximately 90% of its total revenues as it looks to build the store network.

The Group has two strong brands and an exciting pipeline of opportunities as it continues its commitment to building a family of ethical brands with community spirit. We look forward to making further progress and to an improved financial performance in the current financial year.



**Keith Jackson**  
**Executive Chairman**

## **About Cooks Coffee**

Cooks Coffee Company operates in world markets and is listed on the NZX market operated by NZX Limited in New Zealand under the code CCC and on the AQUIS Growth market in the UK under the code COOK. It owns the intellectual property and master franchising rights to Esquires Coffee Houses worldwide (excluding New Zealand and Australia) and Triple Two Coffee globally. Cooks currently operates or franchises Esquires Coffee in the United Kingdom, Ireland, Portugal, Bahrain, Kuwait, Saudi Arabia, Jordan, & Pakistan; and Triple Two Coffee in the United Kingdom. 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 2023	
Previous Reporting Period	12 months to 31 March 2022	
Currency		
	Amount (000s)	Percentage change
Revenue from continuing operations	\$6,613	(10.3%)
Total Revenue	\$6,613	(10.3%)
Net profit/(loss) from continuing operations	(\$3,108)	(3353.3%)
Total net profit/(loss)	(\$3,204)	(631.5%)
Interim/Final Dividend		
Amount per Quoted Equity Security	It is not proposed to pay a dividend.	
Imputed amount per Quoted Equity Security	Not Applicable.	
Record Date	Not Applicable.	
Dividend Payment Date	Not Applicable.	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	Cents Per Security (12.36)	Cents Per Security (17.30)
A brief explanation of any of the figures above necessary to enable the figures to be understood	None.	
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.Jckson@cookscoffeecompany.com">Keith.Jckson@cookscoffeecompany.com</a>	
Date of release through MAP	30/05/2023	

Unaudited financial statements accompany this announcement.

## Appendix 1 Release

30 May 2023



### Cooks Coffee Company Limited

This document covers Cooks Coffee Company Limited's unaudited financial results for the year ended 31 March 2023

#### A: Cooks Coffee Company Limited Preliminary announcement for the year ended 31 March 2023

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 2022, and in the audited financial statements for the year ended 31 March 2022.

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

#### B: Consolidated Statement of Financial Performance

	<b>Unaudited Mar-23 \$NZ '000</b>	<b>Up / Down %</b>	<b>Audited Mar-22 \$NZ '000</b>
Revenue	6,613	(10.3%)	7,372
Cost of sales	(977)	40.0%	(1,628)
<b>Gross profit</b>	<b>5,636</b>	<b>(1.9%)</b>	<b>5,744</b>
Operating expenses and staff costs	(5,070)	1.6%	(5,152)
Impairment loss on receivables	(448)	(97.4%)	(227)
Other income	632	40.8%	449
<b>Operating profit/(loss) before depreciation and amortisation</b>	<b>750</b>	<b>(7.9%)</b>	<b>814</b>
Depreciation expense	(469)	(82.5%)	(257)
<b>Operating profit/(loss)</b>	<b>281</b>	<b>(49.6%)</b>	<b>557</b>
Interest Income	372	(67.5%)	1,145
Amortisation of intangible assets	(381)	17.6%	(324)
Impairment of Goodwill	(2,385)	60.1%	(5,983)
Finance costs	(1,108)	45.3%	(2,026)
Revaluation of contingent consideration payable	-	-	6,431
<b>Profit/(Loss) before income tax</b>	<b>(3,221)</b>	<b>1510.5%</b>	<b>(200)</b>
Income tax benefit/(expense)	113	2.7%	110
<b>Net Profit/(Loss) for the year from continuing operations</b>	<b>(3,108)</b>	<b>(3353.3%)</b>	<b>(90)</b>
<b>Net Profit/(Loss) for the year from discontinued operations</b>	<b>(96)</b>	<b>72.4%</b>	<b>(348)</b>
<b>Net Profit/(Loss) for the year</b>	<b>(3,204)</b>	<b>(631.5%)</b>	<b>(438)</b>
<b>Earnings Per Share (Cents per share):</b>	<b>(5.77)</b>		<b>(1.04)</b>

**C: Consolidated Statement of Financial Position****Assets**

Cash and cash equivalents  
Trade and other receivables  
Other current assets  
Assets classified as held-for-sale  
Property, plant and equipment  
Right-of-use assets  
Lease receivables  
Other non-current assets

**Total tangible assets**

Goodwill  
Intangible assets  
**Total assets**

**Liabilities**

Trade and other payables  
Lease liabilities  
Borrowings - Loans  
Other liabilities  
Deferred tax liabilities

**Total liabilities****Net assets/(liabilities)****Equity**

Share capital  
Accumulated losses  
Foreign currency translation reserve  
Share based equity reserve  
**Total equity attributable to equity holders of the Company**

**Net tangible assets per share**

Unaudited		Audited
Mar-23	Up / Down	Mar-22
\$NZ '000	%	\$NZ '000
445		1,156
1,323		1,244
793		588
16		18
142		150
1,604		1,642
19,582		19,243
17		15
<b>23,922</b>	<b>(0.6%)</b>	<b>24,056</b>
3,072		5,457
6,881		7,262
<b>33,875</b>	<b>(7.9%)</b>	<b>36,775</b>
6,061		7,110
21,314		21,146
3,141		3,883
910		1,095
1,036		1,143
<b>32,462</b>	<b>5.6%</b>	<b>34,377</b>
<b>1,413</b>	<b>41.1%</b>	<b>2,398</b>

58,345		56,897
(60,192)		(56,988)
859		88
2,401		2,401
<b>1,413</b>	<b>41.1%</b>	<b>2,398</b>

**Cents**  
**(12.36)**

**Cents**  
**(17.30)**

**D: Statement of Changes in Equity****Profit/(Loss) for the period**

Net increase in issued share capital  
Foreign currency translation reserve

**Movements in equity for the period****Equity at start of the period**

Share based payment reserve  
**Equity at end of the period**

Unaudited	Up / Down	Audited
Mar-23	%	Mar-22
\$NZ '000	%	\$NZ '000
(3,204)	(631.5%)	(438)
1,448		4,677
771		(120)
<b>(985)</b>	<b>(123.9%)</b>	<b>4,119</b>
<b>2,398</b>		<b>(1,721)</b>
-		-
<b>1,413</b>	<b>(41.1%)</b>	<b>2,398</b>

**E: Consolidated Statement of Cash Flows****Profit/(Loss) for the period****Add/(Less):**

Depreciation expense  
Impairment loss on receivables  
Net foreign exchange (losses)/gains  
Revaluation of contingent consideration payable  
Impairment of goodwill  
Amortisation of intangible assets  
Net movements in working capital

**Net cash flow from operating activities****Net cash flow from investing activities****Net cash flow from financing activities****Net (decrease)/increase in cash held****Opening bank balance**

Effect of exchange rate changes on foreign currency balances  
**Closing bank balance**

**Made up as follows:**

Cash and cash equivalents

Unaudited	Up / Down	Audited
Mar-23	%	Mar-22
\$NZ '000	%	\$NZ '000
(3,204)	(631.5%)	(438)
469		257
448		227
110		230
-		(6,431)
2,385		5,983
381		324
(1,073)		(784)
<b>(484)</b>	<b>(23.4%)</b>	<b>(632)</b>
<b>(56)</b>	<b>74.0%</b>	<b>(215)</b>
<b>(171)</b>	<b>(115.4%)</b>	<b>1,110</b>
<b>(711)</b>	<b>(370.3%)</b>	<b>263</b>
<b>1,156</b>		<b>886</b>
-		7
<b>445</b>		<b>1,156</b>
<b>445</b>	<b>(61.5%)</b>	<b>1,156</b>

**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	60,726,349	59,519,349
Shares issued during the current period	7,666,854	7,666,854

On 31 March 2023, Cooks Coffee Company Limited has 59,519,349 quoted shares and 1,207,000 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 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.

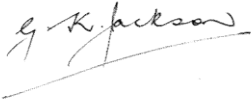
**Discontinued Operations**

The UK Sunderland store is the last in discontinued operations still to be closed. The lease for this store is currently being renegotiated, and the Group expect this to be sold in FY2024.

**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 \$2.385m. Management reviewed actual performance since the date of acquisition against the original forecasts, impacted initially by the Covid pandemic and with key receivables being written off, when reassessing the FY24, FY25 and FY26 forecasts. Additionally, consideration was given to existing market constraints in the UK, such as those associated with the supply of materials and labour, which could potentially impact on the construction and fit-out of new cafes.

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30 May 2023

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(signed by) Authorised Officer of Listed Issuer

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(date)

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



31/03/2023	Continuing Operations			
	Unaudited	Unaudited	Unaudited	Total
	Global Franchising & Retail	UK & IRE Franchising	New Zealand	
	\$'000	\$'000	\$'000	\$'000
<b>Global operational splits</b>				
Revenue	237	6,376	-	6,613
Grant and other income	-	295	-	295
Release of liabilities	-	-	337	337
Raw materials and consumables used	-	(977)	-	(977)
Depreciation expense	-	(466)	(3)	(469)
Impairment loss on receivables	(124)	(324)	-	(448)
Net foreign exchange (losses)/gains	(9)	(23)	(78)	(110)
Employee costs	-	(2,295)	(219)	(2,514)
Other expenses	(16)	(1,242)	(1,188)	(2,446)
<b>Operating profit/(loss)</b>	<b>88</b>	<b>1,344</b>	<b>(1,151)</b>	<b>281</b>
Finance costs	(1)	(164)	(571)	(736)
Amortisation of intangible assets	-	(381)	-	(381)
Impairment of goodwill	-	(2,385)	-	(2,385)
<b>Profit/(loss) before income tax</b>	<b>87</b>	<b>(1,586)</b>	<b>(1,722)</b>	<b>(3,221)</b>
Income tax (expense)/credit	-	113	-	113
<b>Profit/(loss) for the year from continuing operations</b>	<b>87</b>	<b>(1,473)</b>	<b>(1,722)</b>	<b>(3,108)</b>
<b>Non-current assets</b>				
Intangible assets	42	5,358	1,481	6,881
Property, plant and equipment	84	58	-	142
Right of use assets	-	1,604	-	1,604
Goodwill	-	3,072	-	3,072

31/03/2023	Discontinued Operations	
	Unaudited	Total
	UK Retail	
	\$'000	\$'000
<b>Global operational splits</b>		
Revenue	464	464
Other income	-	-
Raw materials and consumables used	(149)	(149)
Depreciation expense	(3)	(3)
Property related costs	-	-
Net foreign exchange (losses)/gains	-	-
Employee costs	(198)	(198)
Other expenses	(205)	(205)
<b>Operating loss</b>	<b>(91)</b>	<b>(91)</b>
Finance costs	(5)	(5)
<b>Loss before income tax</b>	<b>(96)</b>	<b>(96)</b>
Income tax (expense)/credit	-	-
<b>Loss for the year from discontinued operations</b>	<b>(96)</b>	<b>(96)</b>
<b>Non-current assets</b>		
Property, plant and equipment	14	14
Assets held for Sale	7	7

31/03/2022	Continuing Operations			
	Audited Global Franchising & Retail	Audited UK & IRE Franchising	Audited New Zealand	Total
	\$'000	\$'000	\$'000	\$'000
<b>Global operational splits</b>				
Revenue	255	7,116	1	7,372
Grant and other income	-	449	-	449
Raw materials and consumables used	-	(1,628)	-	(1,628)
Depreciation expense	(1)	(253)	(3)	(257)
Impairment loss on receivables	(123)	(104)	-	(227)
Net foreign exchange (losses)/gains	(4)	(171)	(55)	(230)
Employee costs	(64)	(2,060)	(378)	(2,502)
Other expenses	(42)	(1,684)	(694)	(2,420)
<b>Operating profit/(loss)</b>	<b>21</b>	<b>1,665</b>	<b>(1,129)</b>	<b>557</b>
Finance costs	(15)	10	(875)	(880)
Reduction of contingent consideration payable	-	6,431	-	6,431
Amortisation of intangible assets	-	(324)	-	(324)
Impairment of goodwill	-	(5,983)	-	(5,983)
<b>Profit/(loss) before income tax</b>	<b>6</b>	<b>1,799</b>	<b>(2,005)</b>	<b>(200)</b>
Income tax (expense)/credit	-	110	-	110
<b>Profit/(loss) for the year from continuing operations</b>	<b>6</b>	<b>1,909</b>	<b>(2,005)</b>	<b>(90)</b>
<b>Non-current assets</b>				
Intangible assets	42	5,740	1,481	7,263
Property, plant and equipment	1	146	3	150
Right of use assets	-	1,641	-	1,641
Goodwill	-	5,457	-	5,457

31/03/2022	Discontinued Operations	
	Audited UK Retail	Total
	\$'000	\$'000
<b>Global operational splits</b>		
Revenue	620	620
Raw materials and consumables used	(183)	(183)
Depreciation expense	(100)	(100)
Employee costs	(319)	(319)
Other expenses	(329)	(329)
<b>Operating loss</b>	<b>(311)</b>	<b>(311)</b>
Finance costs	(3)	(3)
Interest on bank and other borrowings	(34)	(34)
<b>Loss before income tax</b>	<b>(348)</b>	<b>(348)</b>
Income tax (expense)/credit	-	-
<b>Loss for the year from discontinued operations</b>	<b>(348)</b>	<b>(348)</b>
<b>Non-current assets</b>		
Property, plant and equipment	6	6
Assets held for Sale	18	18