



## ProCook Group plc

Interim results for the 28 weeks ended 15 October 2023

### Building a stronger customer-focused business to accelerate future growth

ProCook Group plc ("ProCook" or "the Group"), the UK's leading direct-to-consumer specialist kitchenware brand, today announces its interim results for the first half of FY24 (the 28 weeks ended 15 October 2023).

£m	H1 FY24	H1 FY23	YoY
<b>Revenue</b>	<b>26.3</b>	<b>27.4</b>	<b>(3.8%)</b>
<b>Gross Profit</b>	<b>17.6</b>	<b>16.7</b>	<b>+5.1%</b>
<i>Gross margin %</i>	<i>66.7%</i>	<i>61.0%</i>	<i>+570bps</i>
<b>Underlying loss before tax<sup>1</sup></b>	<b>(1.7)</b>	<b>(2.8)</b>	<b>+39.5%</b>
Reported loss before tax	(3.2)	(3.5)	+7.9%
Net debt	(3.2)	(1.3)	

### Financial and Strategic Highlights

- Total revenue of £26.3m declined by 3.8% YoY, or 1.2% excluding the Amazon EU channels which we exited last year
- LFL revenue declined by 4.4% YoY after a volatile first half in difficult trading conditions and impacted by teething issues following the launch of our new website
- Held our UK kitchenware market share YoY<sup>2</sup>, despite a continued shift away from online with UK Ecommerce revenue representing 34.7% of total revenue (H1 FY23: 40.1%)
- Gross profit margins significantly improved YoY to 66.7% (+570bps) as expected following the unwinding of heightened costs in our stock file as marine freight costs have returned to pre-pandemic levels
- Underlying LBT of £1.7m improved by +39.5% YoY driven by stronger gross margins and ongoing cost discipline
- Net debt at the end of the first half was £3.2m (FY23 year end: £2.8m) with available liquidity of £12.8m
- Delivering for our customers:
  - Returned to 4.8 Trustpilot score with over 100,000 5-star reviews received
  - New brand campaign, Meta marketing, and referral scheme to raise awareness and loyalty
  - Attracted 290,000 new customers to shop with ProCook for the first time
- Good strategic progress will help us unlock and accelerate future growth:
  - Committed to two new stores (opened shortly after half year) and one upsize relocation for FY24
  - Launched our new website which, following early teething issues is now performing well
  - Launched phase one of small electricals (kettles and toasters), with phase two launching in spring 2024
  - Completed the transition into our new Store Support Centre; delivering operational efficiencies
  - On track to deliver in full our £3m cost improvement programme, offsetting cost headwinds

### Current trading and outlook

In the first eight weeks of the second half, including Black Friday and the early part of Christmas trading, total revenue was +1.5% YoY, outperforming the market during this period.

Having solved the majority of the new website teething issues by the beginning of the Black Friday period, we delivered a robust Black Friday campaign with revenue growth of 3.5% YoY.

Our retail stores continue to perform well with +4.1% YoY LFL performance and total revenue growth of 10.7% year on year supported by the opening of Trafford Centre and Watford stores.

Trading conditions remain challenging and volatile as we experienced in the first half, and the Board remains cautious about the timing and pace of market recovery. However, we are confident in our specialist proposition, and we are making good strategic progress in building a stronger customer-focused business ready to accelerate as conditions improve, to deliver profitable and sustainable growth for all stakeholders.

**Lee Tappenden, Chief Executive Officer, commented:**

"Whilst the consumer macro backdrop remains challenging, we are pleased to have delivered a robust Black Friday campaign and an improvement in recent trading, as we enter the important pre-Christmas trading period.

"I am delighted to have joined the business, with its strong foundations as a specialist retailer with a differentiated model and high-quality products providing a firm base from which to build brand awareness and expand the product range and store portfolio.

"Whilst we remain cautious about the timing and pace of market recovery, we are confident in our proposition and are making good strategic progress in building a stronger customer-focused business ready to accelerate growth as trading conditions improve and deliver profitable and sustainable growth for all stakeholders."

**Analyst Presentation:**

An interim results presentation for analysts and investors will be made available on the Group's corporate website at <https://www.procookgroup.co.uk/investors/reports-and-presentations/> this morning from 7.00am.

**For further information please contact:**

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**Next scheduled event:**

ProCook expects to release its third quarter trading update in mid-January 2024.

**Notes to editors:**

ProCook is the UK's leading direct-to-consumer specialist kitchenware brand. ProCook offers a direct-to-consumer proposition, designing, developing and retailing a high-quality range of cookware, kitchenware and tableware which provides customers with significant value for money.

The brand sells directly through its website, [www.procook.co.uk](http://www.procook.co.uk), and through its 60 own-brand retail stores, conveniently located across the UK.

Founded over 25 years ago as a family business, selling cookware sets by direct mail in the UK, ProCook has grown into a market leading, multi-channel specialist kitchenware company, employing over 600 colleagues and operating from its Store Support Centre in Gloucester.

ProCook has been listed on the London Stock Exchange since November 2021 (PROC.L).

## Quarterly revenue performance:

	FY24 (52 weeks ending 31 March 2024)						
	Q1	Q2	H1	Q3	Q4	H2	FY
<b>Revenue</b>	<b>£10.7m</b>	<b>£15.7m</b>	<b>£26.3m</b>				
Revenue growth %	(6.7%)	(1.8%)	(3.8%)				
<b>LFL revenue<sup>3</sup></b>	<b>£10.2m</b>	<b>£15.0m</b>	<b>£25.3m</b>				
LFL growth %	(7.9%)	(1.8%)	(4.4%)				

	FY23 (52 weeks ending 2 April 2023)						
	Q1	Q2	H1	Q3	Q4	H2	FY
<b>Revenue</b>	<b>£11.4m</b>	<b>£15.9m</b>	<b>£27.4m</b>	<b>£22.4m</b>	<b>£12.6m</b>	<b>£35.0m</b>	<b>£62.3m</b>
Revenue growth %	(22.6%)	(7.6%)	(14.5%)	(2.5%)	(9.7%)	(5.2%)	(9.9%)
Yo3Y revenue growth %	35.5%	54.0%	45.6%	78.8%	64.6%	73.4%	60.0%
<b>LFL revenue<sup>4</sup></b>	<b>£10.0m</b>	<b>£13.6m</b>	<b>£23.6m</b>	<b>£19.7m</b>	<b>£10.8m</b>	<b>£30.5m</b>	<b>£54.1m</b>
LFL growth %	(17.1%)	(15.6%)	(16.2%)	(3.8%)	(9.4%)	(5.9%)	(10.7%)
Yo3Y LFL growth %	133.3%	110.4%	119.7%	108.7%	103.2%	106.7%	112.2%

## Notes

<sup>1</sup> Underlying loss before tax is presented before non-underlying items of £1.5m in H1 FY24 (H1 FY23: £0.7m) in relation to IPO-related share-based awards and transition and dual running costs in respect of the Group's new Store Support Centre

<sup>2</sup> UK Kitchenware market growth (excluding ProCook) calculated using weekly GfK data and management estimates

<sup>3</sup> FY24 LFL (Like For Like) revenue reflects:

- Ecommerce LFL – ProCook direct website channel only.
- Retail LFL – Continuing Retail stores which were trading for at least one full financial year prior to the 2 April 2023, inclusive of any stores which may have moved location or increased/ decreased footprint within a given retail centre.

<sup>4</sup> FY23 LFL (Like For Like) revenue reflects:

- Retail YoY – Continuing Retail stores which were trading for at least one full financial year prior to the 3 April 2022, inclusive of any stores which may have moved location or increased/ decreased footprint within a given retail centre
- Retail Yo3Y – Continuing Retail stores which were trading for at least one full financial year prior to the 29 March 2020, inclusive of any stores which may have moved location or increased/ decreased footprint within a given retail centre
- Ecommerce YoY and Yo3Y – ProCook direct website channel only

## **CEO's Review**

### **Introduction**

I am pleased to report on our progress and performance during the first half of FY24 having joined ProCook 12 weeks ago. In this brief period, I have spent time listening and learning about our business in our stores with our colleagues and customers, with many supplier partners, and with every team in our Store Support Centre ("SSC"). My first impressions of ProCook reinforce those that I had formed before I joined.

We have a real strength and competitive point of difference in our business model through the direct-sourcing of our ProCook-brand products and by selling directly to customers through our own website and retail stores, owning every point of the "source to sale" journey.

As a specialist retailer, the breadth and quality of our product range is paramount to positioning our authority across our offer. We cater for customers at different price points and by cutting out the middleman, we offer everyday great value pricing across our range. Our passionate colleagues who deliver outstanding levels of customer service reinforce our specialist credentials and are key to building loyalty amongst our customer base.

We have low brand awareness, with less than 10% of the UK population spontaneously recognising us as a kitchenware retailer, and only around 30% when prompted. Our retail stores coverage is only just over 30% of the UK population. However, when customers do find us, loyalty is strong with almost 40% of our sales being generated by just 10% of our active customer base.

I am pleased that ProCook has taken a long term view with regards to decision making, which means that the foundations of the business are strong, have been well developed, and are ready for scale.

### **Holding market share in challenging trading conditions**

Trading conditions remain challenging. Consumer spending is squeezed, and customers are delaying big ticket purchases which has impacted sales of our larger cookware and knife sets. Our UK revenue, excluding the Amazon EU marketplaces which we exited last year, was down 1.2% year on year. We have held our UK market share position despite the ongoing channel shift back to retail (where we remain under-represented in the UK) and our authority in bigger ticket and more discretionary Cookware and Knife sets.

Performance in our retail stores has been pleasing with +2.6% like for like revenue growth and 7.9% total growth including new stores. Ecommerce sales have been more challenging. Excluding the impact of our prior year exit of Amazon EU channels, our like for like Ecommerce sales reduced by -14.6%.

We completed the development and transition to our new website at the end of August after A/B testing over the summer. With a cleaner and more modern layout, more inspiration and improved user experience this provides a great platform for future growth. We endured teething issues in the weeks following launch which impacted our performance, but I am pleased to see improved metrics coming through including conversion which is now +15% year on year.

We have delivered a strong recovery in gross margins (+570bps year on year to 66.7%) as expected, benefitting from the unwinding of higher shipping costs within our stock file and reduced factory gate pricing negotiated with suppliers.

We have maintained our focus on cost discipline. Entering FY24 with many cost headwinds including pay and cost inflation, our new SSC, and our new stores, we have worked hard to offset these with the £3m cost savings plan which we announced last year and which we are on track to deliver in full.

As a result, our underlying loss before tax during the first half was £1.7m, which is 39.5% improved year on year, and we finished the first half with net debt of £3.2m (FY23 year end: £2.8m) and available liquidity of £12.8m.

Further detail on our financial performance in the first half is set out in the CFO's Report.

### **Good strategic progress with clear opportunities to accelerate growth**

Whilst I was only with ProCook for the last 4 weeks of the first half, I am pleased with the good strategic progress made by the team, which will help us unlock and accelerate future growth.

We have continued to develop our marketing capability to attract new customers to our brand. We launched our latest brand awareness campaign in October featuring Saturday Kitchen chef Matt Tebbutt and are pleased with the results so far which have delivered over 30 million impressions in the first few weeks of the campaign. Brand building is a long term exercise and we have complemented this with further experimentation on Meta channels which will drive more immediate conversion. I am excited by the potential to do much more in this area. Additionally, we have launched a new referral scheme to attract new customers, using the power of customer advocacy to recommend our products and services to their friends and family.

We have worked hard to improve our service levels in stores through more training, and improved rota scheduling which has also improved our efficiency helping to offset cost pressures. We were particularly pleased to re-earn our 4.8 star Excellent rated Trustpilot score in the first half with over 100,000 5 star reviews received from our customers.

As planned, we have pressed on with retail store expansion. Shortly after the half year we completed the fit out works and openings of our 2 new stores at the Trafford Centre Manchester and Atria Watford. We will also be upsizing our Cheshire Oaks store in Q4.

Our retail estate is now at 60 stores and as we increase our UK coverage further, we will continue to apply rigorous opening criteria to each new store acquisition.

Our new website is now performing much better, with conversion and traffic now ahead of last year. Our team has worked hard to improve site performance with all metrics now in a stronger position. There are still many opportunities available to improve user experience which our teams will focus on in the months ahead.

During the first half we launched the first phase of electricals – our new kettles and toasters ranges. This sub-category alone represents approximately 30% of the £1 billion small kitchen appliance market in the UK, and we are thrilled to have been awarded best kettle by the Good Housekeeping awards and joint-best two slice toaster; a testament to the great work done by our product teams to design and source these ranges. We have now completed designs and raised production orders for our phase 2 of electricals which includes mixers, blenders, choppers, processors, slow cookers and our first airfryer ready for launch in spring 2024. We have also added coloured cookware ranges, new knife ranges, and new tableware with a new product refresh of 7.5% of our range in the first half and more planned for the second half.

We completed the transition to our new SSC in the first quarter, with the final elements of our Ecommerce logistics operations moving over in May. We have eliminated the transport and dual handling costs associated with operating the two previous distribution centres and we are making good progress in reducing pick and pack costs which are 12% lower year on year in H1.

### **Priorities for growth**

I am working with our leadership team to update our strategic plan, and I will share further detail on that when we release our FY24 annual results. In the meantime, our priorities are clear.

With a very strong product focus already established in the business, we will focus even more on our customers. This will ensure we have the right range, quality, pricing, marketing and service levels combining to create a stand-out proposition.

We will revisit our value positioning against our competitive set. We are committed to providing customers with value through both better quality and our direct-sourcing model supporting lower pricing, and, following the return to normal shipping costs, we will work to improve our everyday low pricing for customers with support from our suppliers. We have begun detailed category reviews and already implemented new pricing strategies across parts of our range with encouraging early results.

We will expand our digital marketing capabilities, shifting reliance away from Google channels and adding more social media content. Our category is well-suited to content-led marketing with a large proportion of the population interested in cooking and dining. This will help us attract new customers to our brand and raise awareness of our offer to customers who are in the early consideration stages of the purchase journey.

Our product range is already strong and broad; however, gaps exist that will enable us to build a fuller offer. In addition to building out our electricals range, we will add more entry level products to appeal to a broader customer base (including students and first time renters/ buyers), expand our tableware and baking offer, and add more seasonal and promotional relevance to our assortment providing more inspiration to customers. Given the design and production lead times, this will take time, and so we have begun work on this already.

With only 60 retail stores in the UK, we have a significant opportunity to accelerate growth through retail expansion. Our stores offer customers the chance to test and trial products supported by knowledgeable colleagues who help customers find the right product to suit their needs and budget. With only 30% of the UK population served by our stores within reasonable drive times, we have already begun building our pipeline of new store openings for FY24 and beyond. Not only will new stores trade effectively, but they will support greater awareness of our brand and increased sales online.

Now that we have a new website, we will delve deeper into improving user experience. We have identified a series of priority developments to focus on which will better support customers in their online journey, making it easier to find the right products. We are building the expertise in the team to support this important initiative.

Finally, we will seek to eliminate all unnecessary complexity in our business, reducing cost where possible, and allowing us to operate a simpler, more nimble and more profitable business.

The fundamentals of our business are strong, and I am energised by the many opportunities we have to build a stronger customer-focused business. As market conditions improve, these initial priorities will help us accelerate growth and deliver profitable and sustainable growth for our stakeholders.

**Lee Tappenden**

Chief Executive Officer

12 December 2023

## CFO's Review

Trading conditions have remained challenging and volatile throughout the first half, with customers seeking out greater value and completing more research before committing to spend especially on discretionary items. Despite this we have held our market share.

As expected, our gross margins have improved significantly, and combined with our cost discipline and actions to deliver £3m of cost improvements year on year in FY24, we have reduced our first half underlying operating loss by 36% year on year.

We continue to prioritise and invest in the areas which will support our performance and growth for the long term including new stores, our logistics operations and our technology, as well as focusing on delivering the excellent service that we are known for.

The first half typically generates around 40% of full year sales, and with strong product availability and a robust trading plan in place we are well prepared for the second half.

### Revenue

£m	H1 FY24	YoY %
<b>Revenue</b>	<b>26.3</b>	<b>(3.8%)</b>
Ecommerce	9.1	(20.2%)
Retail	17.2	+7.9%
<b>LFL Revenue</b>	<b>25.3</b>	<b>(4.4%)</b>
LFL Ecommerce	9.1	(14.6%)
LFL Retail	16.1	+2.6%

First half revenue of £26.3m was -3.8% year on year, or -1.2% excluding the exit from Amazon EU during the last financial year. On a like for like basis, first half revenue was -4.4% year on year, an improving trend compared to prior year (H1: -16.2%, H2: -5.9%).

Ecommerce revenue of £9.1m was -14.6% year on year on a LFL basis. This reflects reduced promotional activity year on year in the first quarter, and teething issues following the launch of our newly designed website in late August which impacted traffic and conversion in the second quarter, and which has subsequently been largely resolved.

Retail revenue of £17.2m was +7.9% year on year, with LFL revenue growth of +2.6% outperforming the market, benefitting from strong product availability and launches of new products, accompanied by our excellent customer service.

### Gross profit

Gross profit increased +5.1% year on year to £17.6m despite the drop in sales with gross profit margins increasing by +570bps as expected. The key drivers of margin growth have been reduced shipping costs (+550bps YoY), improved pricing and reduced promotional costs (+90bps), partly offset by adverse foreign exchange impacts (-100bps).

### Operating expenses and other income

#### *Underlying operating expenses net of other income*

We have maintained a disciplined approach to costs, holding total underlying operating expenses net of other income flat year on year at £19.1m despite significant cost pressures. We are on track to deliver in full the £3m cost improvement plan we set out this time last year which has helped offset these cost pressures in the first half. The key drivers of change in first half operating expenses year on year include:

- New store costs: +£0.5m
- Payroll cost inflation: +£0.5m
- New Store Support Centre ("SSC") occupancy costs: +£0.4m
- Capability investment: +£0.4m
- Retail hours structures and scheduling improvements: -£0.4m
- Logistics cost savings (volume): -£0.7m
- Logistics cost savings (efficiency): -£0.2m
- Exit of Amazon EU: -£0.5m

#### *Non-underlying operating expenses*

It is the Group's policy to disclose separately such items that relate to non-recurring events and are material in nature, and incurred outside of the normal business operations, in order to provide a consistent and comparable view of the underlying performance of the Group. Non-underlying operating expenses in H1 FY24 were £1.4m (H1 FY23: £0.7m).

Consistent with prior periods, expenses in respect of employee share-based awards which relate to the IPO in FY22, which itself is non-recurring, have been presented as non-underlying costs. These expenses amounted to £0.7m in H1 FY24 (H1 FY23: £0.6m). These expenses are expected to continue through relevant vesting periods to FY25, albeit these costs reduce over time.

During the first half of FY24, we completed the final elements of transition into our new SSC. Operating expenses associated with the costs of transitioning into the new site and the dual occupancy of the new and previous sites were £0.8m in H1 FY24 (H1 FY23: £0.1m) and have been presented as non-underlying items as these costs are non-recurring, dual-running and transition-related.

At the FY23 year end, the Group performed impairment assessments in respect of all Retail stores which had indicators of impairment as well as the Group's two pre-existing distribution/ head office sites. The impairment provision will be reviewed at least annually where impairment indicators arise.

Shortly after the first half the Group assigned the lease for one of its two pre-existing distribution centres to a third party. The marketing and search for a new occupier for the second site remains underway.

### Operating profit / (loss)

Total underlying operating loss for the period improved by 36.3% year on year to £1.5m (H1 FY23: £2.4m) driven by the gross profit and cost improvements delivered in the first half. Ecommerce operating margins increased to 20.5% (H1 FY23: 10.8%) whilst Retail operating margins increased to 13.6% (H1 FY23: 7.3%).

£m	H1 FY24	H1 FY23
<b>Underlying operating (loss) / profit</b>		
Ecommerce	1.9	1.2
Retail	2.3	1.2
Central costs	(5.7)	(4.8)
<b>Total</b>	<b>(1.5)</b>	<b>(2.4)</b>
<b>As a % of revenue</b>		
Ecommerce	20.5%	10.8%
Retail	13.6%	7.3%
Central costs	(21.8%)	(17.5%)
<b>Total</b>	<b>(5.8%)</b>	<b>(8.7%)</b>

Total reported operating loss in the first half of FY24 of £3.0m, after £1.4m of non-underlying operating expense items, was +2.8% improved year on year.

### Profit and earnings per share

Underlying losses before tax improved by 39.5% year on year to £1.7m in the first half of FY24 (H1 FY23: £2.8m).

During the first half there was a net expense of £0.2m (H1 FY23: £0.4m net expense) in respect of financial items. Financial items included interest expenses on lease liabilities and borrowings of £0.7m (H1 FY23: £0.4m) reflecting increased interest rates year on year and a higher average net debt position. In H1 FY24, interest expenses were partly offset by unrealised gains of £0.5m in respect of foreign exchange (H1 FY23: £17k unrealised losses).

After non-underlying items, the loss before tax was £3.2m (H1 FY23: £3.5m). Reported loss after tax was £2.4m (H1 FY23: £2.8m).

The effective tax rate based on underlying loss before tax was 25.0% (H1 FY23: 18.5%).

### Earnings per Share

Underlying basic earnings per share for the first half improved to -1.18 pence (H1 FY23: -2.12 pence) and underlying diluted earnings per share increased to -1.18 pence (H1 FY23: -2.12 pence).

Reported basic earnings per share for the first half were -2.22 pence (H1 FY23: -2.61 pence) and reported diluted earnings per share were -2.22 pence (H1 FY23: -2.61 pence).

### Cash generation and net cash / debt

We have carefully managed our cash position during the first half, with net debt increasing by £0.4m since the FY23 year end despite the typical seasonal impacts of lower cash generation during the first half and the requirement to build inventory ahead of peak trading in Q3.

Free cash outflow for the first half was £0.3m (H1 FY23: inflow of £0.4m, supported by significant inventory reduction) with net debt at the period end of £3.2m (FY23 year end: £2.8m; H1 FY23: £1.3m) and available liquidity of £12.8m.

£m	H1 FY24	H1 FY23
<b>Reported loss before tax</b>	<b>(3.2)</b>	<b>(3.5)</b>
Depreciation, amortisation, impairment and profit/loss on disposal	2.6	2.5
Share based payments	0.7	0.6
Finance expense	0.8	0.4
Unrealised FX gains	(0.5)	(0.2)
Net working capital	2.6	3.8
<b>Net operating cash flow</b>	<b>2.9</b>	<b>3.8</b>
Net capital expenditure	(1.0)	(1.1)
Interest	(0.8)	(0.4)
Payment of lease liabilities	(1.4)	(1.8)
<b>Free Cash Flow</b>	<b>(0.3)</b>	<b>0.4</b>
Movement in borrowings	(0.2)	(2.3)
Dividends paid	-	(0.3)
<b>Movement in cash and cash equivalents</b>	<b>(0.5)</b>	<b>(2.2)</b>

  

Cash and Cash equivalents	1.4	2.1
Borrowings	(4.6)	(3.4)
<b>Net (Debt)/ Cash</b>	<b>(3.2)</b>	<b>(1.3)</b>

The lower reported loss before tax in the first half includes £1.5m of non-underlying items which resulted in £0.7m of cash outflows (H1 FY23: £0.7m of non-underlying items of which £0.1m were cash outflows).

A reduction in net working capital resulted in a cash inflow of £2.6m in the first half (H1 FY23: £3.8m) driven by continued planned reduction in inventory on hand as a result of improved discipline around product intake prior to the peak trading period and through improved payment terms negotiated with suppliers. Inventory on hand at the half year was £8.5m, 16.8% lower year on year and down from £9.5m at the FY23 year end. Total inventory at the half year was £11.9m (H1 FY23: £12.8m).

Net capital expenditure of £1.0m in the first half related to the final elements of the development of the new SSC, as well as continued investment in retail expansion.

### Banking arrangements

The Group has access to a committed £10m Revolving Credit Facility ("RCF") to provide additional cash headroom to support operational and investment activities. This facility expires in April 2025 and has a one-year extension option available to extend the term to April 2026. Additionally, the RCF agreement provides an accordion option, subject to the lender's approval, to extend the facility by a further £5m.

During the first half, the Group successfully agreed an amendment to the RCF terms in respect of the fixed charge cover covenant, in order to provide additional headroom against that covenant at the H1 FY24 test date given that the Group's EBITDA performance declined during the prior 12 months and would have breached the existing covenant test at that date. The revised test required EBITDAR to be no less than 1.25x fixed charges for that test date and reverts to 1.40x thereafter. The leverage coverage remains unchanged with net debt to be no greater than 2.0x EBITDA. Both covenants are tested quarterly and are calculated on a last twelve month rolling, pre-IFRS 16 basis.

The Group's ability to meet these covenants has been stress tested as part of going concern considerations, which is described in more detail below.

The Group has retained its access to an existing £6.0m trade finance facility, which is due to expire in September 2024, although is expected to be renewed at that date. There are no covenants associated with this facility. The terms of this facility are consistent with normal practice.

### Capital allocation and dividend policy

In normal circumstances, the Board currently believes that, to ensure operating flexibility through the business cycle, it must maintain a minimum unrestricted cash / debt headroom which the Board reviews on an annual basis, or more frequently as required. Maintaining this headroom provides a level of flexibility sufficient to fund the working capital and investment needs of the Group (as well as set aside an appropriate operating reserve for unexpected events).

The Group's dividend policy targets an ordinary dividend pay-out ratio of 20% to 30% of profit after tax during the financial year to which the dividend relates. The Board anticipates, under normal circumstances, that it will consider returning surplus cash to



shareholders if average cash / debt headroom over a period consistently exceeds the minimum headroom target, subject to known and anticipated investment plans at the time.

The full capital and dividend policy is available on the Group's website at [www.procookgroup.co.uk](http://www.procookgroup.co.uk).

## **Dividends**

Due to the ongoing challenging consumer environment and the uncertainty that it creates around trading performance, and therefore taking a cautious and responsible decision to preserve cash within the business during these times, the Board have not recommended any interim dividend in respect of FY24.

## **Going concern**

As at 15 October 2023, the date of the interim financial statements, the Group had net debt of £3.2m and available liquidity of £12.8m including a £6.0m uncommitted trade finance facility.

Trading in the first eight weeks of the second half of the financial year has been in line with the Board's expectations. As a result of the seasonal profile of cash generation, net debt as at 10 December 2023, has reduced to £0.8m (11 December 2022: £0.4m) and available liquidity has increased to £15.2m (11 December 2022: £15.6m).

At the time of approving these financial statements, the Board of Directors are required to consider whether the Group has sufficient resources to continue in operational existence for the foreseeable future and hence support the use of the going concern basis. In doing this, the Board has considered the forecast future cash position and profitability of the Group under a range of forecast scenarios taking into consideration the Group's principal risks and uncertainties.

The Board considers that the factors which present the greatest risk to performance over the next twelve months are:

- Competition, market and macro-economic risks – in light of the challenging economic and consumer market conditions
- Financial and treasury risk – impact of increased interest rates and volatile foreign exchange movements.

The potential impacts of these factors are reflected in the downside scenarios below.

### *Base Case scenario*

The Base Case for the scenario modelling reflects the Board's latest forecast outturn performance for FY24 and projections for FY25. These forecasts assume a recovery from the level of revenue decline seen in the first half of the financial year, based on recent run rate trading performance and actions taken to drive improved performance including recent new store openings. Further revenue growth in FY25 is expected. Prudent cost and cash management are also assumed throughout.

Under this scenario, the Group will remain within its £10m committed borrowing facilities and will meet relevant banking covenants (leverage and fixed charge cover).

### *Downside scenario*

The Directors consider that the principal risks to achieving the Base Case scenario relate to the broad ranging macro conditions affecting consumer confidence and disposable income. Therefore, a downside scenario has been prepared which assumes 4% sales underperformance compared to the Base Case in the remainder of FY24, and a 6% lower sales performance throughout FY25 compared to the Base Case.

Under this scenario, and before mitigating actions, the Group would remain comfortably within its £10m committed borrowing facilities throughout the next 12 months and remain compliant with the leverage covenant, however, would breach the Fixed Charge covenant (Debt Service plus Rent / EBITDAR) at the third quarter test date of FY24 only.

### *Severe downside scenario*

This scenario reflects a further pronounced deterioration in trading conditions during the remainder of FY24 such that sales performance reduces by 10% compared to the Base Case in the remainder of the current financial year, and by 10% in FY25. Additionally, given the uncertainty and volatility around foreign exchange rates, this scenario reflects a reduction in anticipated gross profit margins by 100bps in both the remainder of FY24 and throughout FY25 compared to the base case.

Under this severe scenario, and before mitigation actions, the Group would remain comfortably within its £10m committed borrowing facilities throughout the next 12 months. However, the Group would breach the leverage covenant at the quarterly test dates of Q1 FY25 and would breach the Fixed Charge covenant at the quarterly test dates of Q3 FY24, Q1 FY25 and Q2 FY25 before recovering.

### *Mitigating actions*

The Group has numerous mitigating actions available to improve liquidity if this were required, including (but not limited to):

- Seek to renegotiate banking covenants or other terms with partners for the relevant periods
- Reduce discretionary expenditure (not including performance marketing)
- Reduce or delay capital expenditure
- Reduce paid media marketing spend to enhance ecommerce profitability
- Reduce reward arrangements (including pay rises and bonuses)

- Reduce costs in operational functions to reflect the lower sales volumes
- Extend payment terms with suppliers, or delay product intake or other activities
- Additional promotional activity to accelerate trading performance and reduce stock levels

### Conclusion

Having considered the range of scenarios, including the main risks within them and the available mitigating actions described above, the Directors believe that there is low likelihood of the Group failing to operate within its liquidity headroom over the twelve months from the date of this report. Accordingly, the financial statements have been prepared under the going concern basis of accounting.

However, the Directors recognise that in a plausible downside or severe downside scenario, the Group is likely to breach one or more of its banking covenants, requiring it to renegotiate covenant waivers or seek other new banking terms. The Directors note the positive and long-standing relationship the Group has with HSBC. However, there can be no certainty that covenant waivers or other new banking terms will be granted, the Directors therefore acknowledge a material uncertainty surrounding the Group's going concern basis.

### Principal risks and uncertainties

The Board continually reviews and monitors the risks and uncertainties which could have a material effect on the Group's results. A summary of the principal risks is set out below:

Risk	Impact
Strategy and business change	Failure to identify and successfully execute appropriate strategies to develop and grow the brand over the medium to long term could be affected by a range of factors including changes in competition or products, consumer behaviours and trends, inadequate change management or leadership. This could slow or limit the growth of the business, distract from and / or damage the overall customer proposition, incur additional cost or serve to demotivate colleagues if not led effectively.
Competition, market and macroeconomic	Failure to adapt to changing consumer needs given external macro factors, and to maintain a compelling customer offer compared to competitors could limit or reduce profitability and opportunities for growth. Macroeconomic factors which reduce consumer confidence and / or disposable incomes or create additional cost pressures could impact revenue growth and profit generation.
Brand and customer	Reputational damage leading to loss of consumer confidence in ProCook products or services, which could be caused by a variety of factors including customer data loss, product quality, health and safety, level of direct marketing activity, ethical or sustainability concerns, poor customer service or, regulatory non-compliance.
Climate change	Any failure to implement our ESG ambitions within acceptable timescales and deliver on stakeholder expectations to reduce the environmental impact of our business and progress towards our net zero targets. These include actions linked to our ESG strategy and managing the potential consequences of climate change on our business. Failure to meet the expectations of our customers, colleagues, investors and other stakeholders, may impact our brand reputation and future trading performance.
Supply chain	Failure to source products effectively and efficiently, potentially relating to geopolitics surrounding Far East manufacturing reliance, or to ensure inventory is maintained in the right volumes at the right locations could adversely impact our short and medium term operational and financial performance.
Technology platforms, data loss and cyber security	Failure to develop and maintain appropriate technology to support operations, or the loss of key platforms or data due to cyber-attacks or other failures without an adequate response, could lead to reputational damage, fines or higher costs, or a loss of stakeholder and customer confidence in our Brand.
Marketing effectiveness	Any failure to attract new customers and retain existing customers in a cost-effective and engaging way could impact short term performance and medium strategic growth ambitions.
People and culture	Any failure to attract, retain and develop the right talent, skills and capabilities or to successfully protect and develop our culture could impact operational activities including customer service and our longer-term strategic objectives.
Finance and treasury	Any failure to effectively manage our financial affairs and ensure an appropriate financial position and sufficient liquidity for future growth, or any failure in financial planning, financial reporting, compliance with tax legislation, or the maintenance of a robust financial control environment, could impact our ability to deliver our strategic objectives, as well as have an adverse impact on business viability.
Regulatory and compliance	Any failure to comply with legal and regulatory obligations, or our wider corporate responsibility could result in financial or legal exposures or damage our reputation with our Stakeholders as a responsible brand.

**Dan Walden**

Chief Financial Officer

12 December 2023

## **Statement of Directors' responsibilities**

The Directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first half of the year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year; and
- Material related-party transactions in the first half of the year and any material changes in the related-party transactions described in the last annual report.

The Directors of the Company are listed in the Company's Annual Report and Accounts for the year ended 2 April 2023. A list of current Directors is maintained on the Company's corporate website: [www.procookgroup.co.uk](http://www.procookgroup.co.uk).

For and on behalf of the Board:

**Dan Walden**

Chief Financial Officer

12 December 2023

## Consolidated Income Statement (Unaudited)

For the 28 weeks to 15 October 2023

£'000s	Note	28 weeks ended 15 October 2023			28 weeks ended 16 October 2022		
		Underlying	Non-underlying <sup>1</sup>	Reported	Underlying	Non-underlying <sup>1</sup>	Reported
<b>Revenue</b>	<b>1</b>	<b>26,330</b>	-	<b>26,330</b>	<b>27,382</b>	-	<b>27,382</b>
Cost of sales		(8,775)	-	(8,775)	(10,680)	-	(10,680)
<b>Gross profit</b>		<b>17,555</b>	-	<b>17,555</b>	<b>16,702</b>	-	<b>16,702</b>
Operating expenses		(19,098)	(1,435)	(20,533)	(19,113)	(655)	(19,768)
Other income		23	-	23	25	-	25
<b>Operating Loss</b>		<b>(1,520)</b>	<b>(1,435)</b>	<b>(2,955)</b>	<b>(2,386)</b>	<b>(655)</b>	<b>(3,041)</b>
Finance expense		(708)	(77)	(785)	(430)	(14)	(444)
Other gains/(losses)		513	-	513	(17)	-	(17)
<b>Loss before tax</b>		<b>(1,715)</b>	<b>(1,512)</b>	<b>(3,227)</b>	<b>(2,833)</b>	<b>(669)</b>	<b>(3,502)</b>
Tax credit	4	428	378	806	524	132	656
<b>Loss for the period</b>		<b>(1,287)</b>	<b>(1,134)</b>	<b>(2,421)</b>	<b>(2,309)</b>	<b>(537)</b>	<b>(2,846)</b>
<b>Total comprehensive loss</b>		<b>(1,287)</b>	<b>(1,134)</b>	<b>(2,421)</b>	<b>(2,309)</b>	<b>(537)</b>	<b>(2,846)</b>
Earnings per ordinary share – basic		(1.18)p		(2.22)p	(2.12)p		(2.61)p
Earnings per ordinary share – diluted		(1.18)p		(2.22)p	(2.12)p		(2.61)p

52 weeks ended 2 April 2023				
£'000s	Note	Underlying	Non-underlying <sup>1</sup>	Reported
<b>Revenue</b>	<b>1</b>	<b>62,340</b>	-	<b>62,340</b>
Cost of sales		(23,994)	-	(23,994)
<b>Gross profit</b>		<b>38,346</b>	-	<b>38,346</b>
Operating expenses		(37,645)	(6,159)	(43,804)
Other income		51	-	51
<b>Operating profit/(loss)</b>		<b>752</b>	<b>(6,159)</b>	<b>(5,407)</b>
Finance expense		(861)	(204)	(1,065)
Other losses		(55)	-	(55)
<b>Loss before tax</b>		<b>(164)</b>	<b>(6,363)</b>	<b>(6,527)</b>
Tax credit	4	29	1,559	1,588
<b>Loss for the period</b>		<b>(135)</b>	<b>(4,804)</b>	<b>(4,939)</b>
<b>Total comprehensive loss</b>		<b>(135)</b>	<b>(4,804)</b>	<b>(4,939)</b>
Earnings per ordinary share – basic		(0.12)p		(4.53)p
Earnings per ordinary share – diluted		(0.12)p		(4.53)p

<sup>1</sup> See note 2 for further information

## Consolidated Statement of Financial Position (Unaudited)

As at 15 October 2023

£'000s	Note	As at 15 October 2023	As at 16 October 2022	As at 2 April 2023
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		164	313	235
Property, plant, and equipment		8,169	6,551	7,781
Right-of-use assets	7	25,493	31,846	25,450
Deferred tax asset		2,520	1,112	2,520
<b>Total non-current assets</b>		<b>36,346</b>	<b>39,822</b>	<b>35,986</b>
<b>Current assets</b>				
Inventories	8	11,885	12,761	11,515
Trade and other receivables		3,409	3,148	2,240
Current tax asset		936	965	611
Cash and cash equivalents	9	1,446	2,116	1,962
<b>Total current assets</b>		<b>17,676</b>	<b>18,990</b>	<b>16,328</b>
<b>Total assets</b>		<b>54,022</b>	<b>58,812</b>	<b>52,314</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		10,722	9,160	7,276
Lease liabilities	7	3,772	3,287	2,836
Provisions		206	141	200
Borrowings	10	4,624	3,390	4,716
<b>Total current liabilities</b>		<b>19,324</b>	<b>15,978</b>	<b>15,028</b>
<b>Non-current liabilities</b>				
Trade and other payables		357	896	954
Lease liabilities	7	26,267	30,497	26,430
Provisions		552	530	612
<b>Total non-current liabilities</b>		<b>27,176</b>	<b>31,923</b>	<b>27,996</b>
<b>Total liabilities</b>		<b>46,500</b>	<b>47,901</b>	<b>43,024</b>
<b>Net Assets</b>		<b>7,522</b>	<b>10,911</b>	<b>9,290</b>
<b>Equity and reserves attributable to Shareholders of ProCook Group plc</b>				
Share capital		1,090	1,090	1,090
Ordinary Shares to be issued		7,544	6,454	6,891
Share Premium		1	1	1
Retained earnings		(1,113)	3,366	1,308
<b>Total equity and reserves</b>		<b>7,522</b>	<b>10,911</b>	<b>9,290</b>

The interim financial statements were approved by the Board of Directors on 13 December 2023 and were signed on its behalf by:

**Dan Walden**

Chief Financial Officer

12 December 2023

## Consolidated Statement of cash flows (Unaudited)

For the 28 weeks to 15 October 2023

£'000s	Note	28 weeks ended 15 October 2023	28 weeks ended 16 October 2022	52 weeks ended 2 April 2023
<b>Cash flows from operating activities</b>				
Loss before tax		(3,227)	(3,502)	(6,527)
<i>Adjustments for:</i>				
Depreciation of property, plant, and equipment		489	521	967
Impairment	2	-	-	4,405
Amortisation of intangible assets		70	50	128
Loss on disposal of property, plant, and equipment		-	38	37
Profit on termination of leases		(5)	(24)	(75)
Amortisation of right-of-use assets	7	2,053	1,916	4,034
Unrealised FX (gains)/losses		(549)	(150)	518
Share Based Payments		653	649	1,090
Finance expense		785	444	1,065
(Increase)/decrease in inventories	8	(370)	3,998	5,244
Increase in trade and other receivables		(664)	(1,173)	(413)
Increase/(decrease) in trade and other payables		3,700	1,016	(1,233)
(Decrease)/increase in provisions		(54)	-	195
Income taxes credited/(paid)	4	-	-	(97)
<b>Net cash flows from operating activities</b>		<b>2,881</b>	<b>3,783</b>	<b>9,338</b>
<b>Investing activities</b>				
Purchase of property, plant, and equipment		(1,060)	(1,309)	(4,928)
Purchase of intangible assets		-	-	-
Lease inception costs		(11)	-	(460)
Lease incentives received		10	222	204
<b>Net cash (used in) investing activities</b>		<b>(1,061)</b>	<b>(1,087)</b>	<b>(5,184)</b>
<b>Financing activities</b>				
Interest paid on borrowings		(246)	(139)	(294)
Interest paid on lease liabilities	7	(539)	(305)	(771)
Proceeds from borrowings	10	15,785	11,033	18,689
Repayment of borrowings	10	(15,965)	(13,322)	(19,701)
Lease principle payments	7	(1,371)	(1,827)	(3,625)
Dividends paid	5	-	(307)	(272)
<b>Net cash (used in) financing activities</b>		<b>(2,374)</b>	<b>(4,867)</b>	<b>(5,974)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(516)</b>	<b>(2,171)</b>	<b>(1,820)</b>
Cash and cash equivalents at beginning of the period		1,962	4,287	3,782
<b>Cash and cash equivalents at end of period</b>	9	<b>1,446</b>	<b>2,116</b>	<b>1,962</b>

**Consolidated statement of changes in equity (Unaudited)**

For the 28 weeks to 15 October 2023

£'000	Note	Share capital	Share Premium	Share Option Reserve	Retained earnings	Total equity
<b>As at 4 April 2022</b>		<b>1,090</b>	<b>1</b>	<b>5,801</b>	<b>6,519</b>	<b>13,411</b>
Total comprehensive loss for the period		-	-	-	(2,846)	(2,846)
Employee Share Based Payment Awards		-	-	653	-	653
Ordinary dividends	<b>5</b>	-	-	-	(307)	(307)
<b>As at 16 October 2022</b>		<b>1,090</b>	<b>1</b>	<b>6,454</b>	<b>3,366</b>	<b>10,911</b>
Total comprehensive loss for the period		-	-	-	(2,093)	(2,093)
Employee Share Based Payment Awards		-	-	437	-	437
Ordinary dividends	<b>5</b>	-	-	-	35	35
<b>As at 2 April 2023</b>		<b>1,090</b>	<b>1</b>	<b>6,891</b>	<b>1,308</b>	<b>9,290</b>
Total comprehensive loss for the period		-	-	-	(2,421)	(2,421)
Employee Share Based Payment Awards		-	-	653	-	653
<b>As at 15 October 2023</b>		<b>1,090</b>	<b>1</b>	<b>7,544</b>	<b>(1,113)</b>	<b>7,522</b>

## **Consolidated Financial Statements Accounting Policies (Unaudited)**

For the 28 weeks to 15 October 2023

### **General Information**

The Group interim financial statements consolidate those of the ProCook Group plc (the 'Company') and its subsidiaries, together referred to as the 'Group'.

ProCook Group plc is a public limited company incorporated and domiciled in England and Wales under the Companies Act 2006 (Registration number: 13679248). The registered office is ProCook, 10 St Modwen Park, Gloucester, GL10 3EZ.

The principal activity of the Company together with its subsidiary undertakings throughout the period is the sale of kitchenware and related products in stores and via ecommerce platforms.

The Group's financial results and cashflows are subject to seasonal trends throughout the financial period. Typically, revenue and profit are higher in the last 24 weeks of the financial year due to the seasonal impact of increased trade in the run up to Christmas.

### **Basis of preparation**

These condensed interim financial statements for the 28 weeks ended 15 October 2023 have been prepared in accordance with IAS 34 "Interim financial information". These condensed interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and are not audited.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 2 April 2023, which were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, UK-adopted IFRS as issued by the International Accounting Standards Board.

Statutory financial statements for the period ended 2 April 2023 were approved by the Board of Directors on 28 June 2023 and delivered to the Registrar of Companies. The auditors have reported on those financial statements; their reports were (i) unqualified, (ii) contained a reference to the material uncertainty in respect of going concern to which the auditor drew attention by way of emphasis without modifying their report, (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The presentation of the condensed financial statements requires Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### **Basis of consolidation**

Group companies included in these consolidated interim financial statements include ProCook Group plc and all subsidiary undertakings, which are those entities it controls. ProCook Group plc controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to ProCook Group plc until the date that control ceases. The Company assesses whether it controls an investee if facts and circumstances indicate that there are changes in the control indicators listed above.

#### *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the financial information. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

### **Going concern**

As at 15 October 2023, the date of the interim financial statements, the Group had net debt of £3.2m and available liquidity of £12.8m including a £6.0m uncommitted trade finance facility.

Trading in the first eight weeks of the second half of the financial year has been in line with the Board's expectations. As a result of the seasonal profile of cash generation, net debt as at 10 December 2023, has reduced to £0.8m (11 December 2022: £0.4m) and available liquidity has increased to £15.2m (11 December 2022: £15.6m).

At the time of approving these financial statements, the Board of Directors are required to consider whether the Group has sufficient resources to continue in operational existence for the foreseeable future and hence support the use of the going concern basis. In doing this, the Board has considered the forecast future cash position and profitability of the Group under a range of forecast scenarios taking into consideration the Group's principal risks and uncertainties.

The Board considers that the factors which present the greatest risk to performance over the next twelve months are:



- Competition, market and macro-economic risks – in light of the challenging economic and consumer market conditions
- Financial and treasury risk – impact of increased interest rates and volatile foreign exchange movements.

The potential impacts of these factors are reflected in the downside scenarios below.

#### *Base Case scenario*

The Base Case for the scenario modelling reflects the Board's latest forecast outturn performance for FY24 and projections for FY25. These forecasts assume a recovery from the level of revenue decline seen in the first half of the financial year, based on recent run rate trading performance and actions taken to drive improved performance including recent new store openings. Further revenue growth in FY25 is expected. Prudent cost and cash management are also assumed throughout.

Under this scenario, the Group will remain within its £10m committed borrowing facilities and will meet relevant banking covenants (leverage and fixed charge cover).

#### *Downside scenario*

The Directors consider that the principal risks to achieving the Base Case scenario relate to the broad ranging macro conditions affecting consumer confidence and disposable income. Therefore, a downside scenario has been prepared which assumes 4% sales underperformance compared to the Base Case in the remainder of FY24, and a 6% lower sales performance throughout FY25 compared to the Base Case.

Under this scenario, and before mitigating actions, the Group would remain comfortably within its £10m committed borrowing facilities throughout the next 12 months and remain compliant with the leverage covenant, however, would breach the Fixed Charge covenant (Debt Service plus Rent / EBITDAR) at the third quarter test date of FY24 only.

#### *Severe downside scenario*

This scenario reflects a further pronounced deterioration in trading conditions during the remainder of FY24 such that sales performance reduces by 10% compared to the Base Case in the remainder of the current financial year, and by 10% in FY25. Additionally, given the uncertainty and volatility around foreign exchange rates, this scenario reflects a reduction in anticipated gross profit margins by 100bps in both the remainder of FY24 and throughout FY25 compared to the base case.

Under this severe scenario, and before mitigation actions, the Group would remain comfortably within its £10m committed borrowing facilities throughout the next 12 months. However, the Group would breach the leverage covenant at the quarterly test dates of Q1 FY25 and would breach the Fixed Charge covenant at the quarterly test dates of Q3 FY24, Q1 FY25 and Q2 FY25 before recovering.

#### *Mitigating actions*

The Group has numerous mitigating actions available to improve liquidity if this were required, including (but not limited to):

- Seek to renegotiate banking covenants or other terms with partners for the relevant periods
- Reduce discretionary expenditure (not including performance marketing)
- Reduce or delay capital expenditure
- Reduce paid media marketing spend to enhance ecommerce profitability
- Reduce reward arrangements (including pay rises and bonuses)
- Reduce costs in operational functions to reflect the lower sales volumes
- Extend payment terms with suppliers, or delay product intake or other activities
- Additional promotional activity to accelerate trading performance and reduce stock levels

#### *Conclusion*

Having considered the range of scenarios, including the main risks within them and the available mitigating actions described above, the Directors believe that there is low likelihood of the Group failing to operate within its liquidity headroom over the twelve months from the date of this report. Accordingly, the financial statements have been prepared under the going concern basis of accounting.

However, the Directors recognise that in a plausible downside or severe downside scenario, the Group is likely to breach one or more of its banking covenants, requiring it to renegotiate covenant waivers or seek other new banking terms. The Directors note the positive and long-standing relationship the Group has with HSBC. However, there can be no certainty that covenant waivers or other new banking terms will be granted, the Directors therefore acknowledge a material uncertainty surrounding the Group's going concern basis.

#### **Accounting Policies**

The condensed interim financial statements have been prepared under the historical cost convention, except for derivative financial instruments and share based payments which are stated at their fair value. The accounting policies adopted, as well as significant judgements and key estimates applied, are consistent with those in the annual financial statements for the year ended 2 April 2023, as described in those financial statements.

## Notes to the Consolidated Financial Statements

For the 28 weeks to 15 October 2023

### 1. Revenue

Group revenue is not reliant on any single major customer or group of customers. Management considers revenue to be derived from one business stream being the retail of kitchenware and related products and services.

Customers interact and shop with the Group across multiple touchpoints and their journey often involves more than one channel. The Chief Operating Decision Maker is the Board of Directors of ProCook Group plc. The Board reviews internal management reports on a frequent basis, and in line with internal reporting, the channel reporting below indicates where customers complete their final purchase transaction.

All of the Group's operations are carried out in the UK during H1 FY24, following the cessation of the Group's EU operations during FY23. All revenue is from external customers.

£'000	28 weeks ended 15 October 2023	28 weeks ended 16 October 2022	52 weeks ended 2 April 2023
United Kingdom	26,330	26,638	61,550
European Union	-	744	790
<b>Total revenue</b>	<b>26,330</b>	<b>27,382</b>	<b>62,340</b>

### 2. Non-underlying items

Consistent with prior periods, expenses in respect of employee share-based awards which relate to the IPO event in FY22, which itself is non-recurring, have been presented as non-underlying costs. These expenses are expected to continue through relevant vesting periods to FY25, albeit these costs reduce over time.

During the first half of FY24, the Group completed the final elements of consolidation of its head office and warehouse operations into its new Store Support Centre ("SSC"). Operating and finance expenses associated with the costs of transitioning into the new site and the dual occupancy of the new or previous sites of £0.9m in H1 FY24 (H1 FY23: £0.1m) have been presented as non-underlying costs as these items are non-recurring, dual-running and transition-related.

At the FY23 year end, the Group performed impairment assessments in respect of all Retail stores which had indicators of impairment as well as the Group's two pre-existing distribution/ head office sites. The impairment provision will be reviewed at least annually where impairment indicators arise.

£'000	28 weeks ended 15 October 2023	28 weeks ended 16 October 2022	52 weeks ended 2 April 2023
SSC transition and dual running costs	851	90	749
Share based payments	661	579	1,209
Impairment expense	-	-	4,405
<b>Total</b>	<b>1,512</b>	<b>669</b>	<b>6,363</b>

### 3. Segmental reporting

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors and segmental reporting analysis is presented based on the Group's internal reporting to the Board. At 15 October 2023, the Group had two operating segments, being Ecommerce and Retail. Central costs are reported separately to the Board. Whilst central costs are not considered to be an operating segment, it has been included below to aid reconciliation with operating profit as presented in the Consolidated Income Statement.

£'000	28 weeks ended 15 October 2023	28 weeks ended 16 October 2022	52 weeks ended 2 April 2023
<b>Revenue</b>			
Ecommerce	9,124	11,431	25,653
Retail	17,206	15,951	36,687
<b>Total revenue</b>	<b>26,330</b>	<b>27,382</b>	<b>62,340</b>
<b>Operating profit/ (loss)</b>			
Ecommerce	1,870	1,238	4,588
Retail	2,347	1,167	5,319
Central costs	(5,737)	(4,791)	(9,155)
Non-underlying costs	(1,435)	(655)	(6,159)
<b>Operating loss</b>	<b>(2,955)</b>	<b>(3,041)</b>	<b>(5,407)</b>
Finance costs	(708)	(430)	(861)
Other gains/(losses)	513	(17)	(55)
Non-underlying finance costs <sup>1</sup>	(77)	(14)	(204)
<b>Loss before tax</b>	<b>(3,227)</b>	<b>(3,502)</b>	<b>(6,527)</b>

<sup>1</sup>Non-underlying finance costs are the interest costs on the lease liabilities for the disused warehouses.

Substantially all of the assets of the Group are located in the UK.

### 4. Tax expense

The underlying effective tax rate for the 28 weeks ending 15 October 2023 is 25.0% (28 weeks ended 16 October 2022: 18.7%; year ended 2 April 2023: 17.6%).

The standard rate of UK corporate income tax was 25% for H1 FY24 and 19% for all other periods presented.

### 5. Dividends

Dividends paid and declared during the periods presented are as follows:

£'000	28 weeks ended 15 October 2023	Dividend per share (pence)	52 weeks ended 2 April 2023	Dividend per share (pence)
Final dividend for the year ended 3 April 2022	-	-	272	0.9 pence

The FY22 final dividend of £1.0m was declared representing 0.9 pence per share, however £0.7m of this dividend was waived by certain shareholders. This final dividend was paid to the shareholders on the register at close of business on 2 September 2022.

No final dividend was declared in respect of the period ended 2 April 2023 and the Group has not declared an interim dividend in respect of the current half year period.

### 6. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue.

Diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	28 weeks ended 15 October 2023	28 weeks ended 16 October 2022	52 weeks ended 2 April 2023
Weighted average number of shares	108,956,624	108,956,624	108,956,624
Impact of share options	11,897,040	7,796,576	9,126,940
Number of shares for diluted earnings per share	120,853,664	116,753,200	118,083,564

	28 weeks ended 15 October 2023		28 weeks ended 16 October 2022		52 weeks ended 2 April 2023	
£'000	Underlying <sup>1</sup>	Reported	Underlying	Reported	Underlying	Reported
Loss for the period	(1,287)	(2,421)	(2,309)	(2,846)	(135)	(4,939)
Earnings per ordinary share – basic	(1.18)p	(2.22)p	(2.12)p	(2.61)p	(0.12)p	(4.53)p
Earnings per ordinary share – diluted <sup>2</sup>	(1.18)p	(2.22)p	(2.12)p	(2.61)p	(0.12)p	(4.53)p

<sup>1</sup>Underlying earnings per ordinary share is a non-IFRS measure.

<sup>2</sup> H1 FY23 diluted EPS corrected from H1 FY23 interims disclosure.

## 7. Leased assets

The Group leases a number of assets, with all lease payments fixed over the lease term. Where there are leasehold properties which hold a variable element to lease payments made these are not capitalised as part of the right of use asset. All expected future non-variable cash out flows are reflected within the measurement of the lease liabilities at each period end.

	As at 15 October 2023	As at 16 October 2022	As at 2 April 2023
Number of active leases	72	75	71

### Right of use assets

£'000	Leasehold Property	Motor Vehicles	Plant and Equipment	Total
<b>Cost</b>				
At 2 April 2023	36,484	182	39	36,705
Additions	2,044	-	53	2,097
Remeasurement <sup>1</sup>	(1)	-	-	(1)
<b>At 15 October 2023</b>	<b>38,527</b>	<b>182</b>	<b>92</b>	<b>38,801</b>
<b>Accumulated amortisation and impairments</b>				
At 2 April 2023	11,149	97	9	11,255
Charge for the period	2,015	29	9	2,053
<b>At 15 October 2023</b>	<b>13,164</b>	<b>126</b>	<b>18</b>	<b>13,308</b>
<b>Net Book Value</b>				
At 2 April 2023	25,335	85	30	25,450
<b>At 15 October 2023</b>	<b>25,363</b>	<b>56</b>	<b>74</b>	<b>25,493</b>

### Lease liabilities

£'000	Leasehold Property	Motor Vehicles	Plant and Equipment	Total
At 2 April 2023	29,161	76	29	29,266
Additions	2,044	-	53	2,097
Remeasurement <sup>1</sup>	54	-	-	54
Interest expense	536	1	1	538
Lease payments	(1,872)	(26)	(12)	(1,910)
Disposals	(5)	-	-	(5)
<b>At 15 October 2023</b>	<b>29,918</b>	<b>51</b>	<b>71</b>	<b>30,040</b>

<sup>1</sup> Remeasurements have arisen where store lease rental terms and/ or lease expiry dates have been amended.

## 8. Inventories

£'000	As at 15 October 2023	As at 16 October 2022	As at 2 April 2023
Finished goods and goods for resale	11,885	12,761	11,515
<b>Total</b>	<b>11,885</b>	<b>12,761</b>	<b>11,515</b>

The cost of inventories recognised as an expense in the 28 weeks ending 15 October 2023 amounted to £8.8m (28 weeks ending 16 October 2022: £10.7m).

## 9. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

£'000	As at 15 October 2023	As at 16 October 2022	As at 2 April 2023
Cash at bank available on demand	472	1,426	1,180
Cash in transit	974	690	782
<b>Total</b>	<b>1,446</b>	<b>2,116</b>	<b>1,962</b>

## 10. Borrowings

£'000	As at 15 October 2023	As at 16 October 2022	As at 2 April 2023
<b>Current</b>			
Bank loans	4,624	3,390	4,716
<b>Total borrowings</b>	<b>4,624</b>	<b>3,390</b>	<b>4,716</b>

## 11. Derivatives

The Group's local currency is pounds sterling however but due to purchases of goods and services in foreign currencies the Group seeks to reduce foreign exchange risk by entering into forward contracts and other derivatives. At 15 October 2023, the outstanding contracts all mature within 17 months of the period end, with committed purchases of \$19.8m (2 April 2023: \$21.5m).

The contracts are measured at their fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates. There were no designated hedges in place during the current or proceeding financial year.

The fair value of derivative financial assets, included within Trade and other receivables, are as follows:

£'000	As at 15 October 2023	As at 16 October 2022	As at 2 April 2023
Derivatives	505	298	-
<b>Total</b>	<b>505</b>	<b>298</b>	<b>-</b>

The fair value of derivative financial liabilities, included within Trade and other payables, are as follows:

£'000	As at 15 October 2023	As at 16 October 2022	As at 2 April 2023
Derivatives	-	-	369
<b>Total</b>	<b>-</b>	<b>-</b>	<b>369</b>

## 12. Financial Risk Management

### *Financial risk management*

The Group is exposed through its operation to the following financial risks: credit risk, interest rate risk, foreign exchange risk and liquidity risk. Risk management is carried out by the Directors of the Group. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

The Group finances its operations through a mixture of debt finance, cash and liquid resources and various items such as trade debtors and trade payables which arise directly from the Business's operations.

### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To minimise the risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the carrying value of its financial receivables, trade and other receivables and cash and cash equivalents as disclosed in the notes to the financial information.

The receivables' age analysis is evaluated on a regular basis for potential doubtful debts, considering historic, current, and forward-looking information. No impairments to trade receivables have been made to date. Further disclosures regarding trade and other receivables are provided within the notes to financial statements.

Credit risk also arises on cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "B+" are accepted.

Currently all financial institutions whereby the Group holds significant levels of cash are rated A+ to A-.

### *Interest rate risk*

As at 15 October 2023 the Group's drawn borrowings are through its trade finance facility with a floating interest rate linked to the United States Federal funds rate and its revolving credit facility with a floating interest rate linked to the Bank of England base rate. Both are variable on the amount drawn down and there is no fixed settlement date, therefore the interest rate risk exposure for the Group is minimal. The Group's policy aims to manage the interest cost of the Group within the constraints of its financial borrowings. The Group does not currently use any form of derivatives to manage interest rate volatility or future rate increases, however it does seek to minimise interest costs through careful management of its use of facilities.

### *Foreign exchange risk*

Foreign exchange risk arises when the Group enters transactions in a currency other than their functional currency. The Group's policy is, where possible, to settle liabilities denominated in a currency other than its functional currency with cash already denominated in that currency.

The Group makes purchases of goods and services from overseas in foreign currencies and uses additional means to cover its exposure to the foreign exchange movement. The Group uses various financial derivatives such as forward exchange contracts, to help mitigate movements in foreign currency to restrict losses and to ascertain control of expected cash out flows. All the Group's foreign exchange contracts are designated to settle the corresponding liability.

### *Liquidity risk*

The Group seeks to maintain sufficient cash balances to support its working capital and investment requirements. Management reviews cash flow forecasts on a regular basis to determine whether the Group has sufficient cash available to support its operational and investment activities.

## 13. Related Parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Quella Bicycle Limited, a related party by virtue of one of the Group's Directors during the period (Daniel O'Neill) holding a financial interest, have previously related to the renting of warehouse space from ProCook Limited. Quella vacated the premises in March 2023, therefore no charges were made in the period H1 FY24 (2 April 2023: £7k). The amount receivable at 16 October 2023 was £9k.

Transactions with Life's a Beach a related party by virtue of one of the Group's Directors during the period (Daniel O'Neill) being a trustee, relate to charitable donations made on ProCook sales and other associated transactions. During the period, ProCook sales generated £17k of donations payable to Life's a Beach (28 weeks ending 16 October 2022: £6k). During the period ending 15 October 2023, ProCook made no payments to Life's a Beach (28 weeks ending 16 October 2022: £7k). The amount payable at 15 October 2023 was £23k (16 October 2022: £6k).