14 December 2022

ProCook Group plc

Interim results for the 28 weeks ended 16 October 2022

Challenging trading conditions, good strategic progress

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 FY23 (the 28 weeks ended 16 October 2022).

£m	H1 FY23	H1 FY22	*YoY*
Revenue	**27.4**	**32.0**	*(14.5%)*
Gross profit	**16.7**	**21.3**	*(21.8%)*
Gross margin %	*61.0%*	*66.6%*	
Underlying (loss) / profit before tax[1]	**(2.8)**	**3.8**	
Reported (Loss) / profit before tax	**(3.5)**	**2.4**	
Net (debt) / cash	(1.3)	0.9	
New customers acquired ('000)	320	319	+0.2%
Number of active customers L12M ('000)[2]	1,001	733	+36.5%
12 month repeat rate %[3]	25.3%	24.7%	+0.6%pts

Financial and strategic highlights

- Revenue of £27.4m against strong prior year comparatives was -14.5% YoY (FY22 H1: +34.4% YoY) but remained +119.7% higher than FY20 pre-pandemic levels on a LFL[4] basis
- Challenging trading conditions driven by the combined effects of heightened pressures on consumer spending and the prolonged hot summer weather
- Excluding Amazon marketplaces, revenue was -8.6% YoY, marginally below the UK kitchenware market[5] (which was -6.3% YoY) after ProCook's considerable out-performance last year; tracking slightly ahead of the market in the eight weeks since H1
- Gross margin impacted by cost pressures, including shipping, with underlying loss reflecting challenging market conditions
- Net debt at the end of the first half was -£1.3m (FY22 year end: -£1.8m) with available liquidity of £14.7m
- ProCook proposition remains attractive to new and existing customers:
    - Attracted 320,000 new customers to shop with ProCook for the first time
    - Increased our 12 month repeat purchase rate to 25.3% (FY22 H1: 24.7%)
    - Active customers in the last 12 months increased to in excess of one million (+36.5% YoY)
- Continued strategic progress to build a stronger and more sustainable business for all stakeholders:
    - One new store and two relocations to larger sites opened in first half
    - Development of new Distribution Centre and Head Office progressing on track to deliver future operational efficiencies
    - ProCook became the first London Stock Exchange listed retailer to achieve B Corp certification

Current trading and outlook

In the eight weeks to date of H2, including the important Black Friday period and the early part of Christmas trading, revenue was significantly improved on the first half. However, it has remained weaker than we anticipated at -5.7% YoY. Total LFL revenue was -6.4% which was +116.0% compared to the same period in FY20 pre-pandemic.

Total retail revenue in this eight week period was +0.7% YoY, albeit Retail LFL revenue remained -6.9% lower. Ecommerce revenue was -12.6% YoY, including a -6.6%pts impact of our exit from EU marketplaces. UK website sales remained softer year on year at -6.0%. However, website revenue remains up +201.0% on pre-pandemic levels in H1 FY20. Whilst traffic and footfall remain reasonably strong, conversion rates both in store and online continue to be significantly down year on year and ATV remains down year on year in Retail.

As announced in our trading update on 9 December 2022, we now expect our full year revenue for FY23 to be between £60 - £65m. The combination of the continued softer year on year sales performance and heightened costs due to shipping and foreign exchange impacts, additional marketing and promotional activity, and investing in our operational teams to serve higher volumes, means that we now expect that full year FY23 underlying PBT will be approximately breakeven.

We have initiated a plan to maximise our trading performance and profitability, and have begun taking action to reduce operating costs by £3m on an annualised basis.

We are confident this plan will enable us to emerge stronger from this difficult trading environment to become customers' first choice for kitchenware. The Group remains well placed to capture increased share of the large kitchenware market and deliver long term growth and value to all stakeholders.

Daniel O'Neill, CEO & Founder, commented:

"This has been a difficult trading period, reflecting the wider consumer environment and also a very strong comparable period in our last financial year. However, ProCook has traded through tough conditions in the past and we remain confident in our specialist offer and ability to continue taking long-term decisions to build a stronger and more sustainable business.

"Our B Corp certification reflects that focus and is a huge achievement for the whole team at ProCook. We've also made good progress with our store roll-out and the development of our new Distribution Centre and Head Office, which will provide us with a much improved and efficient base from which to take the business forward.

"We are taking cost actions to manage the current pressures and the business remains well placed to capture increased share of the large kitchenware market and deliver long term growth and value to all stakeholders."

Analyst Presentation

There will be a live presentation for analysts and institutional investors this morning at 9.00am, hosted via a webinar with a facility for Q&A. For details, please contact procook@mhpgroup.com.

For further information please contact:

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Next scheduled event:

ProCook expects to release its third quarter trading update in mid January 2023.

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, and via over 50 own-brand retail stores, located across the UK. ProCook products are also available in Germany and France with delivery options extending to Belgium, Austria, Luxembourg, the Netherlands and Poland.

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 Head Office in Gloucester.

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

Quarterly revenue performance

	FY23 (52 weeks ending 2 April 2022)						
	Q1	**Q2**	**H1**	**Q3**	**Q4**	**H2**	**FY**
Revenue	**£11.4m**	**£15.9m**	**£27.4m**				
Revenue growth %	(22.6%)	(7.6%)	(14.5%)				
Yo3Y revenue growth %	35.5%	54.0%	45.6%				
LFL revenue[4]	**£10.0m**	**£13.6m**	**£23.6m**				
LFL growth %	(17.1%)	(15.6%)	(16.2%)				
Yo3Y LFL growth %	133.3%	110.4%	119.7%				

	FY22 (52 weeks ending 3 April 2022)						
	Q1	**Q2**	**H1**	**Q3**	**Q4**	**H2**	**FY**
Revenue	**£14.6m**	**£17.5m**	**£32.1m**	**£23.0m**	**£14.0m**	**£37.0m**	**£69.2m**
Revenue growth %	84.9%	9.8%	34.6%	35.7%	11.4%	25.4%	29.5%
Yo2Y revenue growth %	72.9%	69.3%	70.9%	84.0%	85.8%	84.7%	78.0%
LFL revenue[6]	**£11.2m**	**£14.3m**	**£25.5m**	**£18.6m**	**£10.9m**	**£29.5m**	**£55.0m**
LFL growth %	96.7%	19.5%	44.4%	34.1%	7.7%	23.0%	32.1%
Yo2Y LFL growth %	167.7%	131.5%	146.2%	105.7%	109.1%	107.0%	123.5%

Notes

[1] Underlying profit before tax is presented before non-underlying items of £0.7m in FY23 in relation to IPO-related share-based awards and pre-opening costs in respect of the Group's new distribution centre and head office and £1.4m in FY22 in relation to IPO costs

[2] Number of active customers reflects those customers on our database who have purchased in the last 12 months

[3] 12 month repeat rate reflects the % of customers first acquired in a previous financial year which have made at least one subsequent purchase in the following financial year

[4] 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

[5] UK Kitchenware market growth (excluding ProCook) calculated using weekly GfK data and management estimates

[6] FY22 LFL reflects:

- Retail LFL – Continuing Retail stores which were trading for at least one full financial year prior to 29 March 2020 inclusive of any stores which may have moved location or increased/ decreased footprint within a given retail centre
- Ecommerce LFL – Continuing ecommerce websites and marketplaces that have been trading for at least one full financial year prior to 29 March 2020, excluding the UK Marketplace which ceased trading on 28th June 2021

CEO's Review

Introduction

The weakened macro-economic backdrop has created one of the most challenging consumer environments in recent years and, coupled with the unusually hot weather over the summer, has led to significantly weaker trading conditions. Despite these near-term challenges, we continue to take long term decisions for the business and have made good strategic progress, whilst accelerating those initiatives that are central in helping us manage the difficult backdrop.

I am extremely proud that ProCook became the first London Stock Exchange listed retailer to be B Corp certified. This is the result of huge efforts across the Group and reflects our long-held commitment to building a responsible brand.

We are well placed to manage the current challenges with a resilient and flexible business model, a clear strategy for sustainable and profitable growth, and a customer proposition focused on exceptional value, quality and service. We have prioritised the actions and initiatives that will best support our performance in the near term and drive our brand forward for the longer term, making ProCook a stronger business for all of our stakeholders.

I would like to thank all of our people who have supported our customers so tirelessly over these recent months. I would also like to express my sincere thanks to both Steve Sanders (COO) and Gillian Davies (NED) who both step down from the Board today, as previously announced. Steve remains with ProCook as COO until his retirement in Spring 2023.

Challenging trading conditions compounded by a long hot summer

First half revenue of £27.4m was down -14.5% year on year, yet was +119.7% higher, on a like for like basis, than H1 FY20 (pre-pandemic) reflecting our significant growth over the previous two years, or +45.6% higher on a reported basis.

Our trading performance during the first half, against strong prior year comparative results, reflects the challenging market conditions driven by the combined effects of heightened pressures on consumer spending and the prolonged hot summer weather. Additionally, it reflects the annualisation of our strategic exit from Amazon UK in June 2021, and our withdrawal as planned from the Amazon EU marketplaces during the first half of this year.

The UK kitchenware market has remained reasonably resilient in the first half, declining -6.3% year on year against strong growth last year. ProCook revenue, excluding revenue from Amazon marketplaces, declined by -8.6% partly reflecting our strong performance in the comparative period when our sales growth outperformed the market by +60.8% in H1 FY22.

In the year to date, we have attracted 320,000 new customers to shop with ProCook for the first time and we have increased our 12 month repeat purchase rate to 25.3% (FY22 H1: 24.7%). As a result, the number of active customers in the last 12 months has now increased to above one million (+36.5% year on year).

Whilst like for like footfall and website traffic remained relatively resilient in the first half (-2.5% and -3.3% respectively year on year), conversion rates and average transaction values (ATV) have both declined, reflecting the challenging consumer environment. In Retail, like for like conversion dropped by -12.0% year on year whilst ATV declined by -3.9%. ATV held up well on our website, but conversion rates dropped by -9.1% year on year.

In the first half we have made an underlying loss before tax of -£2.8m (H1 FY22: profit of +£3.8m) reflecting the lower year on year revenue performance, reduced gross margins due to shipping and foreign exchange impacts and additional promotional activity required to help convert sales. Year on year, our cost base is higher, however we have managed this carefully, identifying and implementing efficiencies where possible, as we continue to invest in areas that will support the long term growth and efficiency of the business.

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

Becoming the customers' first choice for Kitchenware

Well positioned, with a large market opportunity

Despite the challenging consumer macro environment, the UK kitchenware market has, unusually, contracted throughout the first half of this financial year against strong growth last year. The market as a whole has continued to shift back towards Retail (from Ecommerce channels) since Covid-19 restrictions eased, with Ecommerce sales mix at 24.5% (H1 FY22: 26.1%). The effects of price increases are evident in the market with volumes down -12% in the first half.

Our value for money credentials, accompanied by our stores in leisure-focused retail destinations, and our strong service levels both in-store and online, provide a level of resilience to the current macro challenges, albeit we are not immune to the general weakening of consumer confidence in the period.

We have made considerable progress with developing our operational capabilities to drive revenue in the current climate and position us well for the significant opportunity we have to raise brand awareness and increase market share, which we estimate was just 2.2% in the UK in 2021, as we pursue our mission to become customers' first choice for kitchenware.

Attract, engage and retain more customers

During the first half we have made good progress with our marketing strategy. We have attracted 320,000 new customers to shop with our brand (similar to the same period last year) and further improved our 12 month repeat purchase rate.

We have completed the implementation of our new customer experience platform in the first half which we will now put to good use to drive forward our retention marketing activities following a period of disruption in the first half. We have begun to use improved customer segmentation to enhance re-targeting across our sales channels. Additionally, we have taken steps to increase the rate of email collection in both our Retail and Website channels to increase the size and value of our customer database.

We have launched our first digital catalogues to extend our reach to more customers in the future, alongside trials of programmatic brand campaigns which are underway utilising digital content created in our own cookery school and photography studio. We have also recently implemented automated paid media bidding which will ensure we optimise the capture of in-market demand and better control the higher cost per acquisition we have incurred in H1 FY23.

During the first half, given the macro backdrop, we have focused more on promotional marketing to appeal to customers. We have strengthened our offers assisting the sell-through of clearance products, and developed a new Build Your Own set saving mechanism which further sets us apart in the kitchenware market and offers customers even greater choice and flexibility.

Developing our proposition

I am pleased with the progress we have made in developing our website during the first half. We have successfully completed the re-platforming of our website to our new codebase which provides site speed benefits, enhanced security features and faster future development time. We will now deploy user experience improvements far more rapidly, helping to improve conversion rates.

We have been winding down our activity on our remaining Amazon EU marketplaces in recent months in order to focus fully on our own website and the priority UK market.

We continue to invest in our retail portfolio, confident that our stores provide customers with an inspirational experience and a convenient opportunity to test, seek advice and take products home the same day, whilst also acting as a beacon for the ProCook brand. We have opened one new store during the first half, and one last week, taking our current total to 57 retail stores, and we have also relocated two successful and established stores (Mansfield and York) to larger units within existing retail centres, building on our track record of successfully growing sales through footprint expansion in other locations. We currently expect to open a further one to two new stores in the remainder of this financial year.

Our product range has continued to move forward with 11.4% of our range refreshed in the first half and five new range launches including our new Micarta knife sets and Malmo white tableware – an extension of our popular existing Malmo ranges. As planned, we have adjusted pricing where possible to reflect the higher cost of product intake, and we continue to monitor the effect carefully. Whilst prices in the wider market have moved up, and we have moved broadly in line, prices have not been sufficiently increased to fully offset the increased shipping costs incurred post Covid.

Design and development of the first phases of our new ranges of Kitchen Electricals is progressing well, and we have identified a key supplier to partner with as we prepare to launch this new category to provide another reason for customers to shop with ProCook.

Building on our foundations

In September we took possession of our new BREEAM-certified Distribution Centre and Head Office site in Gloucester. The build programme was delivered to plan and we are now progressing with the internal fit out. We currently expect to have the site operational around the end of this financial year. This will improve efficiency and capacity in our logistics operations and provide an inspiring working environment for our colleagues for the years ahead.

Our technology teams have delivered a series of successful roadmap initiatives in the first half to support trading performance, operational efficiency and improve system security and resilience. A further pipeline of work is scheduled for the second half of the year.

One of our proudest achievements in the first half is our B Corp certification which was awarded in October, making ProCook the first London Stock Exchange listed retailer to be certified. The certification reflects our long-held commitment to building a responsible brand with a strong purpose. Alongside our existing sustainability goals, and the roadmap we are creating to reach Net Zero emissions by 2030, our new membership of B Corp provides a stringent framework by which we can continue to measure our performance and progress.

Daniel O'Neill
Chief Executive Officer
13 December 2022

CFO's Review

The macro and consumer environment has created increasingly challenging trading conditions resulting in weaker sales and profit performance over the first half compared to last year. We are highly focused on driving our financial performance and managing our cost base whilst still investing in the areas that will support our medium and long term growth and performance.

During the first half we have made good progress with reducing inventory levels, which has supported stronger year on year free cash flow. Our net debt reduced to £1.3m from £1.8m at FY22 year end, with available liquidity of £14.7m.

Revenue

£m	**H1 FY23**	***YoY %***	***Yo3Y %***
Revenue	**27.4**	***(14.5%)***	***45.6%***
Ecommerce	11.4	*(24.5%)*	*102.6%*
Retail	16.0	*(5.6%)*	*21.2%*
LFL Revenue[1]	**23.6**	***(16.2%)***	***119.7%***
LFL Ecommerce	10.7	*(13.6%)*	*258.8%*
LFL Retail	12.9	*(18.3%)*	*49.1%*

Total revenue of £27.4m in the first half was -14.5% lower than H1 FY22, however remained +119.7% on a like for like basis compared to H1 FY20 (pre-pandemic).

Revenue of £11.4m from Ecommerce channels was -24.5% year on year. This includes a -£2.3m (-15.0%pt) impact of the reduction in sales from Amazon marketplaces (following the exit of Amazon UK in June 2021, and the withdrawal from Amazon EU during the year to date). Additionally, this includes a further -9.5%pt impact of the lower like for like performance on our UK website as consumers continue to migrate back towards retail, and as a result of lower conversion rates year on year. Our website revenue remains up +258.8% on pre-pandemic levels in H1 FY20.

Retail revenue of £16.0m was -5.6% year on year. On a like for like basis revenue was -18.3% reflecting the challenging retail conditions and hot weather over the summer, and extremely strong comparatives in the prior year, when like for like stores were +95.0% on H1 FY21 and +77.7% on H1 FY20 as a result of pent-up demand after the lifting of Covid restrictions. Revenue from like for like stores remained +49.1% ahead of pre-pandemic performance during the first half of this year.

During the first half we have opened one new retail store and two relocations to larger sites within existing centres increasing our total retail estate to 56 stores. On 9 December 2022, we opened one additional new store at Lakeside, Thurrock taking the total retail estate to 57 stores.

Gross profit

We delivered gross profit of £16.7m in H1 FY23 (H1 FY22: £21.3m) with gross margins declining to 61.0% (H1 FY22: 66.6%), primarily driven by a combination of increased shipping and transport costs (-430bps YoY), adverse foreign exchange impacts (-80bps YoY), and higher levels of promotions to convert sales (-40bps YoY), partly offset by price increases (+60bps).

Prior year adjustment

At the FY22 year end, we reported the costs associated with transporting inventory to its final selling location within gross profit. We have adjusted for this in the first half results of that year to aid comparability, reducing H1 FY22 gross margin by -120bps. A corresponding credit has been made to reduce operating costs, with the remaining cost being held in inventory at the end of the half resulting in £0.2m net improvement to profits in the first half of FY22.

Operating expenses and other income

Underlying operating expenses net of other income

Total underlying operating expenses net of other income were £19.1m (H1 FY22: £17.8m) representing 69.7% of sales (H1 FY22: 55.6%). This growth in costs was driven by a number of key factors:

- Ecommerce: +£1.0m saving year on year driven by exit from Amazon (+£0.6m), lower sales volumes and efficiencies (+£1.2m), partly offset by cost per acquisition increasing from £16 last year to £24 this year (-£0.8m)
- Retail: -£1.9m increase year on year driven by business rates following the end of Covid-reliefs (-£0.9m), inflationary pressures (-£0.5m) and new stores (-£1.4m) partly offset by volume and efficiency savings (+£0.9m)
- Annualisation of plc costs: +£0.9m partly offset by lower brand marketing spend year on year of -£0.5m

Non-underlying operating expenses

Non-underlying operating expenses in H1 FY23 of £0.7m include employee share-based IPO awards of £0.6m and pre-opening costs in relation to the new Distribution Centre and Head Office of £0.1m. Expenses in relation to these IPO awards are expected to continue through relevant vesting periods to FY25, albeit these costs reduce over time. In H1 FY22 non-underlying operating expenses of £1.4m related to IPO costs.

Operating profit / (loss)

Total underlying operating loss for the period was £2.4m (H1 FY22: £3.5m profit) with H1 FY22 boosted by the favourable trading conditions and pent-up demand following the lifting of Covid-19 restrictions. Ecommerce operating profitability declined from 23.1% of revenue to 10.8% as demand and gross profit margins reduced and cost per acquisition increased back to pre-pandemic levels. Retail profitability reduced from 26.1% of revenue to 7.3%, reflecting the hot summer weather impact on footfall compared to the heightened demand last year as shops reopened, and the increased cost base year on year.

£m	**H1 FY23**	**H1 FY22**
Underlying operating (loss) / profit		
Ecommerce	1.2	3.5
Retail	1.2	4.4
Central costs	(4.8)	(4.5)
Total	**(2.4)**	**3.4**
As a % revenue		
Ecommerce	10.8%	23.1%
Retail	7.3%	26.1%
Central costs	(17.5%)	(14%)
Total	**(8.7%)**	**10.7%**

Total reported operating loss, after the £0.7m of non-underlying costs in the first half, was -£3.0m (H1 FY22: profit of £2.2m).

Profit / (loss) and earnings per share

The underlying loss before tax was £2.8m in the first half of the year (H1 FY22: £3.8m profit).

During the first half there was a net cost of £0.4m (H1 FY22: £0.2m net gain) in respect of financial items in the period. Financial items included interest expenses on lease liabilities and borrowings of -£0.4m (H1 FY22: -£0.3m) reflecting the rise in interest rates year on year. Foreign exchange losses were £17k in the first half compared with gains of £0.5m H1 FY22.

After non-underlying costs, loss before tax was £3.5m (H1 FY22: £2.4m profit). Reported loss after tax was £2.8m (H1 FY22: £1.9m profit).

The effective tax rate for the first half based on underlying (loss) / profit before tax was 18.7% (H1 FY22: 21.8%).

Earnings per Share

Underlying basic earnings per share for the first half reduced to -2.12 pence (H1 FY22: +3.10 pence) and underlying diluted earnings per share reduced to -1.98 pence (H1 FY22: 2.85 pence).

Reported basic earnings per share for the first half were -2.61 pence (H1 FY22: +1.92 pence) and reported diluted earnings per share were -2.44 pence (H1 FY22: +1.77 pence).

New distribution centre and head office

During the first half, the Group took possession of the new distribution and head office site in Gloucester. This new site provides additional capacity for logistics operations and central administrative functions, and will enable efficiency improvements to be realised in the years ahead compared to the current two warehouse set-up. The fit out of the site is underway and we currently expect to occupy the site around the end of this financial year. The Group entered into a lease agreement for the new site on 22 September 2022 which, on inception, had a right of use asset value of £10.7m, lease liability of £10.7m and a lease term of 15 years.

Dividends

During the first half the Group paid the final dividend in respect of FY22 of 0.9p per share. Dividend waivers by the O'Neill family shareholders to preserve cash within the business have reduced the total dividend paid by £0.6m to £0.3m.

Due to the ongoing challenging consumer environment and the uncertainty that it creates around trading performance, the Board have concluded that no interim dividend will be paid in respect of FY23.

Cash generation and net cash / debt

The Group had a free cash inflow of £0.4m in the current period (H1 FY22: outflow of £1.2m) and ended the first half with net debt of £1.3m (FY22 year end: £1.8m net debt; H1 FY22: £0.9m net cash).

£m	H1 FY23	H1 FY22
Reported profit before tax	**(3.5)**	**2.4**
Depreciation, amortisation, impairment and profit/loss on disposal	2.5	1.9
Share based payments	0.6	-
Finance expense	0.4	0.3
Unrealised FX (gains)/losses	(0.2)	(0.5)
Net working capital outflow	3.8	(0.7)
Tax paid	-	(1.5)
Net operating cash flow	**3.8**	**1.9**
Net capital expenditure	(1.1)	(1.9)
Interest	(0.4)	(0.3)
Payment of lease liabilities	(1.8)	(0.9)
Free Cash Flow	**0.4**	**(1.2)**

Cash and Cash equivalents	2.1	4.3
Borrowings	(3.4)	(3.4)
Net (Debt)/ Cash	**(1.3)**	**0.9**

During the first half we have made good progress in reducing our inventory position whilst still maintaining strong availability, supporting an improved net working capital position and cash inflow of £3.8m in the period (H1 FY22: £0.7m outflow). Total inventory at the end of the first half was £12.8m (down from £16.8m at the FY22 year end and down 7.8% year on year). The reduction in inventory was partly offset by increases in trade and other receivables largely relating to increased prepayments on property rates due to the ending of the government rates relief programme. We maintain a higher-than-normal VAT payable balance (£1.9m), as a result of the Group's application to HMRC to create a VAT Group a year ago, but we expect to make payment of this historical balance in the second half of the financial year.

Net capital expenditure of £1.1m in the first half primarily related to the one new store and two relocations which opened during the half. Capital expenditure on the new Distribution Centre and Head Office will largely be incurred in the second half.

We continue to manage cash flows carefully, cognisant of the capital spend planned for the second half in respect of the new distribution centre and head office, and the Group's lower profitability.

Prior Year restatement

As reported for the year ended 3 April 2022, as part of the full transition to IFRS, the Group has undertaken a comprehensive review of its historical reporting to consider the accuracy and integrity of the historical financial statements. As a result, a number of prior year adjustments to the amounts previously disclosed in the IFRS Transition within the FY22 interim results, have been identified. The adjustments are set out in note 14 to the financial statements and are consistent in approach to those identified at the FY22 year end.

Banking agreements

On 20 April 2022 the Group entered into an agreement for 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 two one-year extension options. The terms of the facility are consistent with normal practice and include covenants in respect of leverage (net debt to be no greater than 2.0x EBITDA) and fixed charge cover (EBITDAR to be no less than 1.7x fixed charges). Both covenants are calculated on a pre-IFRS 16 basis.

As part of this agreement, the Company has retained its access to the existing £6.0m trade finance facility (although this is now an uncommitted facility), which is due to expire in September 2023. The terms of the facility are consistent with normal practice.

Additionally, the RCF agreement provides an accordion option, subject to the lender's approval, to extend the facility by a further £5m.

Capital allocation and dividend policy

The Board believes that it is important to maintain a minimum level of unrestricted liquidity headroom. The Board determines the level of headroom it deems appropriate on an annual basis, or more frequently as required. Maintaining this headroom provides a level of flexibility sufficient to fund ProCook's working capital needs as well as setting 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 Group's full capital and dividend policy is available on our website at www.procookgroup.co.uk.

Going concern

As at 16th October 2022, the date of the interim financial statements, the Group had net debt of £1.3m and available liquidity of £14.7m including a £6m uncommitted trade finance facility.

As reported in the trading update on 9th December 2022, trading in the first eight weeks of the second half of the financial year was below the Board's expectations. However, due to the seasonal profile of cash generation, available liquidity has increased to £15.6m as at 11th December 2022.

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 risks – 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 FY23 and FY24. These forecasts assume a partial recovery from the level of revenue decline seen in the first half of the financial year, based on recent run rate trading performance applied to a historical average profile, but despite this, revenue for FY23 as a whole remains below the previous year. A recovery in FY24 is assumed given the new store opening programme and website improvements we plan to deliver, bringing sales in that year to a similar level as achieved in FY22. 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 an 8% sales underperformance compared to the Base Case in the remainder of FY23, reflecting our year to date run rate performance (including the impacts of a very hot summer, and ignoring the recent improved trend that we have delivered), and a 3% lower sales performance throughout FY24 compared to the Base Case.

Under this scenario, and before mitigating actions, the Group would remain 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 quarterly test date at the end of the fourth quarter of FY23 only.

Severe downside scenario

This scenario reflects a further and pronounced deterioration in trading conditions during the remainder of FY23 such that sales performance reduces by 18% compared to the Base Case in the remainder of the current financial year (with LFL sales declining year on year by a further -5%pts compared to year to date performance), and by 7% in FY24. Additionally, given the uncertainty and volatility around foreign exchange rates, this scenario reflects a reduction in anticipated gross profit margins by 100bps in FY24 compared to the base case. This scenario also incorporates a further 100bps increase in the FED rate throughout FY24 for interest incurred on the Group's trade finance facility and a 100bps increase in the BOE rate throughout FY24 for interest incurred on any utilisation of the revolving credit facility.

Under this severe scenario, and before mitigating actions, the Group would remain within its £10m committed borrowing facilities throughout the next 12 months. However, it would breach the leverage covenant at the quarterly test dates of Q4 FY23, Q1 and Q2 FY24, and would breach the Fixed Charge covenant at the quarterly test dates of Q3 and Q4 FY23, Q1 and Q2 FY24 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 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 negotiate covenant waivers or 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 will be granted, the Directors therefore acknowledge a material uncertainty surrounding the Group's going concern status.

Principal risks and uncertainties

The Board regularly 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.

During the first half of the FY23 financial year we have experienced a significant and rapid worsening in the consumer and wider macro-economic landscape. Inflationary pressures post-covid (e.g. supply chain and fuel) have been compounded with the effects of the war in Ukraine, a tight labour market and further upward pressure across many day to day costs including energy and food, pushing inflation rates up to the highest levels in 40 years. Interest rates have risen accordingly, in efforts to combat inflation. The effects of political turmoil in the UK and the mini-budget caused significant short term uncertainty and foreign exchange market volatility. Consumer spending and disposable incomes have been significantly impacted, and consumer confidence remains at record lows.

In the context of this backdrop the Board have carefully considered the principal risks and whether there are any new emerging risks which ProCook faces. The Board has not identified any new or emerging risks which were not previously captured in the Group's risk register. However, it has been determined that there are five risks in which the inherent risk has increased since the FY22 financial year end, four have not changed, and one has decreased.

Risk	**Impact**	**Risk vs FY22**
Competition, market and macroeconomic	Failure to adapt to changing consumer needs 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.	Increased
Strategy and business change	Failure to design and effectively implement appropriate strategies could slow or limit the growth of the business, and / or impact the overall customers proposition – in turn impacting revenue growth and profit generation	No change
Brand and customer	Reputational damage due to a variety of issues such as data loss, product quality or safety, and ethical or sustainability issues in the supply chain could negatively impact the Group.	No change
Climate change	Changing customer needs and preferences, impacts on supply chain, increased compliance burden, and changes to product and packaging requirements could lead to lower revenues or increased costs.	No change
Supply chain	Delays or higher costs in the supply chain could impact product availability and customer satisfaction, or increased costs. This could lead to lower revenues and profitability or reduced repeat rates in the future.	Decreased
IT platforms, data loss and cyber security	Failing to develop and maintain appropriate technology to support operations, or the loss of key platforms or data due to cyber-attacks or other failures, could lead to reputational damage and fines and a loss of customer confidence in the Group.	No change
People and culture	Failing to attract, retain and motivate high calibre employees, and to maintain our unique culture could lead to operational challenges and failure to execute the Group strategy.	Increased
Marketing effectiveness	Loss of ability to attract new customers and retain existing customers in a cost-effective way could slow growth, and lead to loss of sales and / or profits.	Increased
Finance and treasury	Failure to manage financial matters such as liquidity, foreign exchange, access to capital and effective financial planning and reporting could impact growth and efficiency.	Increased
Regulatory compliance	Adverse reputational risk and potential higher costs incurred due to failure to comply with legal and regulatory requirements, accompanied by potential fines or other penalties, relating to a broad range of regulatory issues such as health and safety, legal and financial compliance.	No change

Dan Walden
Chief Financial Officer
13 December 2022

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 remaining six months 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 Company are listed in the Company's annual report for 3 April 2022. A list of current Directors is maintained on the Company's corporate website: www.procookgroup.co.uk.

For and on behalf of the Board

Dan Walden
Chief Financial Officer
13 December 2022

Consolidated Income Statement (Unaudited)

For the 28 weeks to 16 October 2022

		28 weeks ended 16 October 2022			28 weeks ended 17 October 2021 *Restated*[1]		
£'000s	Note	Underlying	Non-underlying[2]	Reported	Underlying	Non-underlying[2]	Reported
Revenue	1	**27,382**	**-**	**27,382**	**32,038**	**-**	**32,038**
Cost of sales		(10,680)	-	(10,680)	(10,692)	-	(10,692)
Gross profit		**16,702**	**-**	**16,702**	**21,346**	**-**	**21,346**
Operating expenses		(19,113)	(655)	(19,768)	(18,104)	(1,355)	(19,459)
Other income		25	-	25	294	-	294
Operating (loss) / profit		**(2,386)**	**(655)**	**(3,041)**	**3,536**	**(1,355)**	**2,181**
Finance expense		(430)	(14)	(444)	(269)	-	(269)
Other (losses)/gains		(17)	-	(17)	514	-	514
(Loss) / profit before tax		**(2,833)**	**(669)**	**(3,502)**	**3,781**	**(1,355)**	**2,426**
Tax credit/(expense)	4	524	132	656	(683)	181	(502)
(Loss) / profit for the period		**(2,309)**	**(537)**	**(2,846)**	**3,098**	**(1,174)**	**1,924**
Total comprehensive (loss) / income		**(2,309)**	**(537)**	**(2,846)**	**3,098**	**(1,174)**	**1,924**
Earnings per ordinary share - basic	6	(2.12)p		(2.61)p	3.10p		1.92p
Earnings per ordinary share - diluted	6	(1.98)p		(2.44)p	2.85p		1.77p

		52 weeks ended 3 April 2022		
£'000s	Note	Underlying	Non-underlying[2]	Reported
Revenue	1	**69,154**	**-**	**69,154**
Cost of sales		(24,111)	-	(24,111)
Gross profit		**45,043**	**-**	**45,043**
Operating expenses		(36,277)	(9,400)	(45,677)
Other income		407	-	407
Operating loss		**9,173**	**(9,400)**	**(227)**
Finance expense		(623)	-	(623)
Other gains		944	-	944
Profit before tax		**9,494**	**(9,400)**	**94**
Tax expense	4	(1,900)	1,720	(180)
Loss for the period		**7,594**	**(7,680)**	**(86)**
Total comprehensive loss		**7,594**	**(7,680)**	**(86)**
Earnings per ordinary share - basic	6	7.34p		(0.01)p
Earnings per ordinary share - diluted	6	6.76p		(0.01)p

[1] See note 14 for further information
[2] See note 2 for further information

Consolidated Statement of Financial Position (Unaudited)

As at 16 October 2022

£'000s	Note	As at 16 October 2022	As at 17 October 2021 *Restated*[1]	As at 3 April 2022
Assets				
Non-current assets				
Intangible assets		313	155	363
Property, plant, and equipment		6,551	4,810	5,801
Right-of-use assets	7	31,846	18,225	20,985
Deferred tax asset		1,112	-	1,175
Total non-current assets		**39,822**	**23,190**	**28,324**
Current assets				
Inventories	8	12,761	13,845	16,759
Trade and other receivables		3,148	1,731	1,975
Current tax asset		965	577	271
Cash and cash equivalents	9	2,116	4,287	3,782
Total current assets		**18,990**	**20,440**	**22,787**
Total assets		**58,812**	**43,630**	**51,111**
Liabilities				
Current liabilities				
Trade and other payables		9,160	8,769	8,278
Lease liabilities	7	3,287	3,167	2,844
Provisions		141	179	173
Borrowings	10	3,390	3,419	5,540
Total current liabilities		**15,978**	**15,534**	**16,835**
Non-current liabilities				
Trade and other payables		896	-	816
Lease liabilities	7	30,497	17,169	19,605
Provisions		530	435	444
Deferred tax liability		**-**	63	-
Total non-current liabilities		**31,923**	**17,667**	**20,865**
Total liabilities		**47,901**	**33,201**	**37,700**
Net assets		**10,911**	**10,429**	**13,411**
Equity and reserves attributable to shareholders of ProCook Group plc				
Share capital		1,090	-	1,090
Share option reserve		6,454	-	5,801
Share premium		1	-	1
Retained earnings		3,366	10,429	6,519
Total equity and reserves		**10,911**	**10,429**	**13,411**

[1] See note 14 for further information

The interim financial statements were approved by the Board of Directors on 13 December 2022 and were signed on its behalf by:

Dan Walden
Chief Financial Officer
13 December 2022

Consolidated Statement of cash flows (Unaudited)

For the 28 weeks to 16 October 2022

£'000s	Note	28 weeks ended 16 October 2022	28 weeks ended 17 October 2021 *Restated*[1]	52 weeks ended 3 April 2022
Cash flows from operating activities				
Profit before tax		(3,502)	2,426	94
Adjustments for:				
Depreciation of property, plant, and equipment		521	334	860
Amortisation of Intangible assets		50	18	52
Loss on disposal of property, plant, and equipment		38	63	135
Profit on disposal of leases		(24)	(104)	(50)
Amortisation of right-of-use assets	7	1,916	1,599	3,056
Unrealised FX gains		(150)	(514)	(1,098)
Share Based Payments		649	-	5,837
Finance expense		444	269	623
Decrease/(Increase) in inventories	8	3,998	(3,758)	(6,671)
Increase in trade and other receivables		(1,173)	(276)	(372)
Increase in trade and other payables		1,016	3,118	3,881
Corporation tax paid	4	**-**	(1,466)	(2,041)
Net cash flows from operating activities		**3,783**	**1,709**	**4,306**
Investing activities				
Purchase of property, plant, and equipment		(1,309)	(1,638)	(3,165)
Purchase of intangible assets		-	(106)	(348)
Lease start-up costs		222	(182)	(248)
Net cash used in investing activities		**(1,087)**	**(1,926)**	**(3,761)**
Financing activities				
Interest		(139)	(24)	(156)
Interest paid on lease liabilities	7	(305)	(245)	(467)
Proceeds from borrowings	10	11,033	3,419	28,320
Repayment of borrowings	10	(13,322)	(2,803)	(25,583)
Principle movement on lease liabilities	7	(1,827)	(722)	(2,910)
Proceeds from the issue of shares		-	-	54
Dividends paid	5	(307)	(1,000)	(1,900)
Net cash used in financing activities		**(4,867)**	**(1,375)**	**(2,642)**
Net decrease in cash and cash equivalents		**(2,171)**	**(1,592)**	**(2,097)**
Cash and cash equivalents at beginning of the period		4,287	5,879	5,879
Cash and cash equivalents at end of period	9	**2,116**	**4,287**	**3,782**

[1] See note 14 for further information

Consolidated statement of changes in equity (Unaudited)

For the 28 weeks to 16 October 2022

£'000	Note	Share capital	Share premium	Share option reserve	Retained earnings	Total equity
As at 5 April 2021		-	-	-	9,505	9,505
Total comprehensive profit for the period		-	-	-	1,924	1,924
Ordinary dividends paid	5	-	-	-	(1,000)	(1,000)
As at 17 October 2021 *(Restated)*[1]		**-**	**-**	**-**	**10,429**	**10,429**
Total comprehensive loss for the period		-	-	-	(2,010)	(2,010)
Bonus issue		117,300	-	-	(117,300)	-
Capital reduction		(116,300)	-	-	116,300	-
Share options exercised		54	1	-	-	55
Issue of shares		36	-	(36)	-	-
Employee Share Based Payment Awards		-	-	5,837	-	5,837
Ordinary dividends paid	5	-	-	-	(900)	(900)
As at 3 April 2022		**1,090**	**1**	**5,801**	**6,519**	**13,411**
Total comprehensive loss for the period		-	-	-	(2,846)	(2,846)
Employee Share Based Payment Awards		-	-	653	-	653
Ordinary dividends paid	5	-	-	-	(307)	(307)
As at 16 October 2022		**1,090**	**1**	**6,454**	**3,366**	**10,911**

[1] See note 14 for further information

Consolidated Financial Statements Accounting Policies (Unaudited)

For the 28 weeks to 16 October 2022

General Information

The Group 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, Davy Way, Waterwells, Gloucester, GL2 2BY.

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 16 October 2022 have been prepared in accordance with IAS 34 "Interim financial information".

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 27 June 2020, which were prepared in accordance with IFRSs as adopted by the European Union.

The presentation of the condensed financial statements requires the 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.

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. Statutory accounts for the period ended 3 April 2022 were approved by the Board of Directors on 4 August 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

Basis of consolidation

Group companies included in these consolidated financial statements for FY23 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.

On 26 October 2021, ProCook Group Limited acquired the entire shareholding of ProCook Limited via a share-for-share exchange, with the existing owners of ProCook Limited at that time becoming the owners of ProCook Group Limited. ProCook Group Limited was subsequently renamed to ProCook Group plc upon listing on the London Stock Exchange's Main market for listed securities on the 10 November 2021. The prior period ending 17 October 2021 comparatives are those of the former ProCook Limited Group since no substantive economic changes have occurred.

Where necessary, amounts reported by subsidiaries have been adjusted to conform with ProCook Group plc's accounting policies.

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 16th October 2022, the date of the interim financial statements, the Group had net debt of £1.3m and available liquidity of £14.7m including a £6m uncommitted trade finance facility.

As reported in the trading update on 9th December 2022, trading in the first eight weeks of the second half of the financial year was below the Board's expectations. However, due to the seasonal profile of cash generation, available liquidity has increased to £15.6m as at 11th December 2022.

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 risks – 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 FY23 and FY24. These forecasts assume a partial recovery from the level of revenue decline seen in the first half of the financial year, based on recent run rate trading performance applied to a historical average profile, but despite this, revenue for FY23 as a whole remains below the previous year. A recovery in FY24 is assumed, bringing sales in that year to a similar level as achieved in FY22. 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 an 8% sales underperformance compared to the Base Case in the remainder of FY23, reflecting our year to date run rate performance (including the impacts of a very hot summer, and ignoring the recent improved trend that we have delivered), and a 3% lower sales performance throughout FY24 compared to the Base Case.

Under this scenario, and before mitigating actions, the Group would remain 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 quarterly test date at the end of the fourth quarter of FY23 only.

Severe downside scenario

This scenario reflects a further and pronounced deterioration in trading conditions during the remainder of FY23 such that sales performance reduces by 18% compared to the Base Case in the remainder of the current financial year (with LFL sales declining year on year by a further -5%pts compared to year to date performance), and by 7% in FY24. Additionally, given the uncertainty and volatility around foreign exchange rates, this scenario reflects a reduction in anticipated gross profit margins by 100bps in FY24 compared to the base case. This scenario also incorporates a further 100bps increase in the FED rate throughout FY24 for interest incurred on the Group's trade finance facility and a 100bps increase in the BOE rate throughout FY24 for interest incurred on any utilisation of the revolving credit facility.

Under this severe scenario, and before mitigating actions, the Group would remain within its £10m committed borrowing facilities throughout the next 12 months. However, it would breach the leverage covenant at the quarterly test dates of Q4 FY23, Q1 and Q2 FY24, and would breach the Fixed Charge covenant at the quarterly test dates of Q3 and Q4 FY23, Q1 and Q2 FY24 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 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 negotiate covenant waivers or 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 will be granted, the Directors therefore acknowledge a material uncertainty surrounding the Group's going concern status.

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 3 April 2022, as described in those financial statements.

Notes to the Consolidated Financial Statements

For the 28 weeks to 16 October 2022

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.

The majority of the Group's operations are carried out in the UK, with a smaller proportion of the Group's revenue being generated in the European Union. All revenue is from external customers.

£'000	28 weeks ended 16 October 2022	28 weeks ended 17 October 2021	52 weeks ended 3 April 2022
United Kingdom	26,638	30,623	66,124
European Union	744	1,415	3,030
Total revenue	**27,382**	**32,038**	**69,154**

2. Non-underlying items

Due to the non-recurring nature of the Initial Public Offering on the London Stock Exchange by the Group in the period ended 3 April 2022 and the development of the Group's new Distribution Centre (DC) and Head Office in the period ending 16 October 2022, the business has incurred costs which relate to non-recurring events, and are material in nature, and so have been separately disclosed on the face of the Consolidated Income Statement as non-underlying items. These include non-recurring costs in respect of employee share-based IPO awards of £579k (17 October 2021: £nil) and pre-opening costs of £90k associated with the DC and Head Office whilst it is an asset under construction. Expenses in relation to the IPO awards are expected to continue through relevant vesting periods to FY25, albeit these costs reduce over time.

£'000	28 weeks ended 16 October 2022	28 weeks ended 17 October 2021	52 weeks ended 3 April 2022
New DC and Head office pre-opening costs	90	-	-
IPO associated costs	-	1,355	2,742
IPO Share based awards	579	-	6,658
Total	**669**	**1,355**	**9,400**

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 16 October 2022, the Group had two operating segments, being Ecommerce and Retail. Central costs are reported separately to the Board but this is not considered an operating segment. Substantially all of the assets of the Group are located in the UK.

£'000	28 weeks ended 16 October 2022	28 weeks ended 17 October 2021	52 weeks ended 3 April 2022
Revenue			
Ecommerce	11,431	15,144	32,332
Retail	15,951	16,894	36,822
Total revenue	**27,382**	**32,038**	**69,154**
Operating profit			
Ecommerce	1,238	3,557	8,056
Retail	1,167	4,461	9,635
Central costs	(4,779)	(4,482)	(8,518)
Non-underlying costs	(669)	(1,355)	(9,400)
Operating (loss) / profit	**(3,041)**	**2,181**	**(227)**
Finance costs	(444)	(269)	(623)
Other (losses)/gains	(17)	514	944
(Loss) / profit before tax	**(3,502)**	**2,426**	**94**

4. Tax expense

The Group's effective tax rate for the 28 weeks ended 16 October 2022 was 18.7% (28 weeks ended 17 October 2021: 21.8%; year ended 3 April 2022: 20.0%).

The standard rate of UK corporate income tax was 19% for all periods presented.

5. Dividends

£'000		28 Weeks ended 16 October 2022	52 weeks ended 03 April 2022
Final dividend for the period ended 4 April 2021	- paid 1.0 pence		1,000
Interim dividend for the period ended 3 April 2022	- paid 1.0 pence	-	900
Final dividend for the period ended 3 April 2022	- paid 0.9 pence	307	-

The final dividend for the period ended 3 April 2022 of 0.9p per share and the interim dividend for the period ended 3 April 2022 of 1.0p per share were declared, however waivers by certain shareholders have reduced the total dividend amounts paid by £(0.6)m to £0.3m for the final dividend for the period ended 3 April 2022 and by £(0.1)m to £0.9m for the interim dividend for the period ended 3 April 2022.

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 16 October 2022	28 weeks ended 17 October 2021	52 weeks ended 3 April 2022
Weighted average number of shares	108,956,624	100,000,000	103,509,034
Impact of share options	7,796,576	8,580,000	8,774,159
Number of shares for diluted earnings per share	**116,753,200**	**108,580,000**	**112,283,193**

	28 weeks ended				52 weeks ended	
	16 October 2022		17 October 2021		3 April 2022	
£'000	Underlying	Reported	Underlying	Reported	Underlying	Reported
(Loss)/Profit for the period	(2,309)	(2,846)	3,098	1,924	7,594	(86)
Earnings per ordinary share - basic	(2.12)p	(2.61)p	3.10p	1.92p	7.34p	(0.01)p
Earnings per ordinary share - diluted	(1.98)p	(2.44)p	2.85p	1.77p	6.76p	(0.01)p

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 16 October 2022	As at 17 October 2021	As at 3 April 2022
Number of active leases	75	63	71

Right of use assets

£'000	Leasehold Property	Motor Vehicles	Plant and Equipment	Total
Cost				
At 4 April 2022	26,225	236	68	26,529
Additions	13,218	-	-	13,218
Re-measurement[2]	30	-	-	30
Disposals	(1,042)	-	(16)	(1,058)
At 16 October 2022	**38,431**	**236**	**52**	**38,719**
Amortisation				
At 4 April 2022	5,430	87	27	5,544
Charge for the period	1,870	38	8	1,916
Disposals	(571)	-	(16)	(587)
At 16 October 2022	**6,729**	**125**	**19**	**6,873**
Net book value				
At 4 April 2022	20,795	149	41	20,985
At 16 October 2022	**31,702**	**111**	**33**	**31,846**

Lease liabilities

£'000	Leasehold Property	Motor Vehicles	Plant and Equipment	Total
At 3 April 2022	22,269	141	39	22,449
Additions[1]	13,323	-	-	13,323
Re-measurement[2]	30	-	-	30
Interest expense	303	2	-	305
Lease payments	(1,782)	(38)	(7)	(1,827)
Disposals	(496)	-	-	(496)
At 16 October 2022	**33,647**	**105**	**32**	**33,784**

[1] Additions include our new distribution centre and head office. The lease was entered into on the 22 September 2022 and on inception had a right of use asset value of £10.7m, lease liability of £10.7m and a lease term of 15 years.

[2] Remeasurements have arisen where store lease rental terms and/ or lease expiry dates have been amended.

8. Inventories

£'000	As at 16 October 2022	As at 17 October 2021	As at 3 April 2022
Finished goods and goods for resale	12,761	13,845	16,759

The cost of inventories recognised as an expense in the period to 16 October 2022 amounted to £10,680k (17 October 2021: 10,692k).

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 16 October 2022	As at 17 October 2021	As at 3 April 2022
Cash at bank available on demand	1,426	3,243	3,058
Cash in transit	690	1,044	724
Total	**2,116**	**4,287**	**3,782**

10. Borrowings

£'000	As at 16 October 2022	As at 17 October 2021	As at 3 April 2022
Current			
Bank loans	3,390	3,419	5,540
Total borrowings	**3,390**	**3,419**	**5,540**

Bank loans comprise solely of an uncommitted trade finance facility and a revolving credit facility (RCF). As at 16 October 2022, the trade finance facility limit was £6.0m, whilst the RCF's limit was £10m. The following amounts had been drawn down and were outstanding at 16 October 2022: £3.4m (3 April 2022: £5.5m).

11. Derivatives

The Group's local currency is pounds sterling however due to international purchases in foreign currencies, the Group seeks to reduce its foreign exchange risk by entering into forward contracts and other derivatives. At 16 October 2022, the outstanding contracts all mature within 8 months of the period end. At the balance sheet date, Group was committed to buy $29,532,917.

All derivative contracts are measured at fair value, and are determined using valuation techniques that utilise observable inputs. The derivatives held on the balance sheet as at 16 October 2022 are recognised under level 2 of the fair value hierarchy. 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 16 October 2022	As at 3 April 2022
Derivatives	298	148
Total	**298**	**148**

12. Financial Instruments

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.

Interest rate risk
As at 16 October 2022 the Group's only current borrowings are the trade finance facility at a floating interest rate linked to the Bank of England base rate. This is 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.

Foreign exchange risk
Foreign exchange risk arises when the Group enter 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 will make purchases of large inventory orders from overseas, and the Group will use additional means to cover its exposure to the foreign exchange movement. The Group will use various financial derivatives such as forward exchange contracts, to mitigate any predicted movement 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. The Board reviews cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

13. Related Parties

Transactions with Quella Bicycle Limited, a related party by virtue of one of the Group's Directors (Daniel O'Neill) holding a financial interest, related to the renting of warehouse space from ProCook Limited. During the period, Quella Bicycle Limited were charged £9k for the warehouse rental (3 April 2022: £16k). No payments were received from Quella during the period ended 16 October 2022 (3 April 2022: £19k). The amount receivable at 16 October 2022 was £9k (3 April 2022: £7k).

Included in other payables at the period ended 16 October 2022 was £19k (3 April 2022: £19k) owed to a Director (Daniel O'Neill) in respect of remaining dividends payable. The balance is non-interest bearing. Amounts paid by ProCook Group plc to the Director in respect of this balance were £Nil during the period ended 16 October 2022 (3 April 2022: £77k).

Transactions with Life's a Beach Limited, a related party by virtue of one of the Group's Directors (Daniel O'Neill) being a trustee, related to charitable donations based on ProCook revenue in respect of relevant products and other associated transactions. During the period, ProCook revenue resulted in £6k of donations payable to Life's a Beach (3 April 2022: £20k). During the period ended 16 October 2022, ProCook made payments to Life's a Beach of £7k (3 April 2022: £62k). The amount payable at 16 October 2022 was £6k (3 April 2022: £7k).

14. Transition to IFRS and other adjustments

As reported for the year ended 3 April 2022, as part of the full transition to IFRS, the Group has undertaken a comprehensive review of its historical reporting to consider the accuracy and integrity of the historical financial statements. As a result, a number of prior year adjustments to the amounts previously disclosed in the IFRS Transition within the FY22 interim results, have been identified. The adjustments are set out below and are consistent in approach to those identified at the FY22 year end.

Adjustment 1
The accuracy of the adoption of IFRS 16 has been reviewed which identified errors in the valuation of several leases and lease modifications. Items previously classified as Property, Plant and Equipment have also been appropriately reclassified into the Right of use asset. The adjustments to reflect this are:

i. PPE decreased by £(302)k in the period ended 17 October 2021.
ii. Right of use assets of £1,381k were recognised in the period ended 17 October 2021.
iii. Trade and other receivables decreased by £(414)k in the period ended 17 October 2021.
iv. Trade and other payables decreased by £(898)k in the period ended 17 October 2021.
v. Current lease liabilities increased by £495k in the period ended 17 October 2021. Non-current lease liabilities increased by £1,468k in the period ended 17 October 2021.
vi. Operating expenses decreased by £(78)k in the period ended 17 October 2021.
vii. Finance expenses increased by £19k in the period ended 17 October 2021.
viii. Retained earnings decreased by £(400)k in the period ended 17 October 2021.

Adjustment 2
Upon adoption of IFRS 15 for the first time, the Group considered the customer's right to return products for refunds as this is not explicitly set out under UK GAAP. The adjustment to previous periods for the right to return is made consistently. The adjustments to reflect this are:

i. Inventory increased by £11k in the period ended 17 October 2021.
ii. Current provisions increased by £38k in the period ended 17 October 2021.
iii. Reduce revenue by £(38k) in the period to 17 October 2021.
iv. Reduce cost of sales by £(11k) in the period to 17 October 2021.
v. Retained earnings reduced by £(27k) in the period ended 17 October 2021.

Adjustment 3
Under IAS 8 a restatement of prior periods is required to appropriately recognise provisions for dilapidations in the prior period where they were previously omitted. The adjustments to reflect this are:

i. ROU asset of £280k was recognised in the period ended 17 October 2021.
ii. Current provisions increased by £19k in the period ended 17 October 2021. Non-current provisions increased by £435k in the period ended 17 October 2021.
iii. Increased operating expenses by £39k in the period ended 17 October 2021.
iv. Increased finance expenses by £7k in the period ended 17 October 2021.
v. Retained earnings reduced by £(174k) in the period ended 17 October 2021.

Adjustment 4
A further restatement in respect of inventory is required as the Group did not historically include directly attributable transport and labour costs in relation to bringing inventory into its present location. Such labour and transport costs were also previously recognised within operating expenses – this adjustment correctly allocates them to cost of sales. The adjustments to reflect this are:

i. Increase in inventories of £289k in the period ended 17 October 2021.
ii. Increase cost of sales by £370k in the period ended 17 October 2021.
iii. A corresponding decrease in operating expenses of £(569k) in the period ended 17 October 2021.
iv. Retained earnings increased by £289k in the period ended 17 October 2021.

Adjustment 5
A reclassification was required to recognise the warranty provision as current as opposed to non-current. The adjustments to reflect this are:

i. Increase current provisions by £160k in the period ended 17 October 2021.
ii. Decrease non-current provisions by £(160k) in the period ended 17 October 2021.

Restated Consolidated Income Statement (Unaudited)
For the 28 weeks to 17 October 2021

		28 weeks ended 17 October 2021				
£'000	Reported	Adj 1	Adj 2	Adj 3	Adj 4	Restated
Revenue	32,076	-	(38)	-	-	32,038
Cost of sales	(10,333)	-	11	-	(370)	(10,692)
Gross profit	**21,743**	**-**	**(27)**	**-**	**(370)**	**21,346**
Operating expenses	(20,067)	78	-	(39)	569	(19,459)
Other income	294	-	-	-	-	294
Operating Profit	**1,970**	**78**	**(27)**	**(39)**	**199**	**2,181**
Finance expense	(243)	(19)	-	(7)	-	(269)
Other gains/(losses)	514	-	-	-	-	514
Profit before tax	**2,241**	**59**	**(27)**	**(46)**	**199**	**2,426**
Tax expense	(502)	-	-	-	-	(502)
Profit for the period	**1,739**	**59**	**(27)**	**(46)**	**199**	**1,924**
Total comprehensive income	**1,739**	**59**	**(27)**	**(46)**	**199**	**1,924**
Earnings per ordinary share - basic	1.74p					1.92p
Earnings per ordinary share - diluted	1.60p					1.77p

Restated Consolidated Statement of Financial Position (Unaudited)
As at 17 October 2021

	As at 17 October 2021						
£'000s	Reported	Adj 1	Adj 2	Adj 3	Adj 4	Adj 5	Restated
Assets							
Non-current assets							
Intangible assets	155	-	-	-	-	-	155
Property, plant, and equipment	5,112	(302)	-	-	-	-	4,810
Right-of-use assets	16,564	1,381	-	280	-	-	18,225
Total non-current assets	**21,831**	**1,079**	**-**	**280**	**-**	**-**	**23,190**
Current assets							
Inventories	13,545	-	11	-	289	-	13,845
Trade and other receivables	2,145	(414)	-	-	-	-	1,731
Current tax asset	577	-	-	-	-	-	577
Cash and cash equivalents	4,287	-	-	-	-	-	4,287
Total current assets	**20,554**	**(414)**	**11**	**-**	**289**	**-**	**20,440**
Total assets	**42,385**	**665**	**11**	**280**	**289**	**-**	**43,630**
Liabilities							
Current liabilities							
Trade and other payables	9,629	(898)	38	-	-	-	8,769
Lease liabilities	2,672	495	-	-	-	-	3,167
Provisions	-	-	-	19	-	160	179
Borrowings	3,419	-	-	-	-	-	3,419
Total current liabilities	**15,720**	**(403)**	**38**	**19**	**-**	**160**	**15,534**
Non-current liabilities							
Lease liabilities	15,701	1,468	-	-	-	-	17,169
Provisions	160	-	-	435	-	(160)	435
Deferred tax liability	63	-	-	-	-	-	63
Total non-current liabilities	**15,924**	**1,468**	**-**	**435**	**-**	**(160)**	**17,667**
Total liabilities	**31,644**	**1,065**	**38**	**454**	**-**	**-**	**33,201**
Net assets	**10,741**	**(400)**	**(27)**	**(174)**	**289**	**-**	**10,429**
Equity and reserves attributable to shareholders of ProCook Group plc							
Share capital	-	-	-	-	-	-	-
Share option reserve	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Retained earnings	10,741	(400)	(27)	(174)	289	-	10,429
Total equity and reserves	**10,741**	**(400)**	**(26)**	**(174)**	**289**	**-**	**10,429**