2 March 2021

Hotel Chocolat Group plc
(“Hotel Chocolat”, the "Company” or the "Group”)
Interim Results

Hotel Chocolat Group plc, a direct-to-consumer premium chocolate brand, today announces its interim results for the 26 weeks ended 27 December 2020. All numbers are shown post-IFRS16 unless otherwise stated.

Financial highlights:

- Revenue up 11% to £101.9m (H1 FY20: £91.7m)
- Underlying EBITDA up 2% to £24.9m (H1 FY20: £24.6m)[1]
- Profit before tax up 3% to £15.5m (H1 FY20: £15.0m)
- Strong balance sheet with net cash at period end of £47.6m (H1 FY20: £24.3m)
- Earnings per share of 9.7p (H1 FY20: 11.5p)

[1] Underlying EBITDA in H1 FY21 excludes £0.2m of share-based charges (H1 FY20: £0.5m).

Operational highlights:

- Strong sales growth reflecting growing brand appeal in the UK, USA & Japan
- UK sales grew by +12% driven by increased multichannel flexibility, with online growth more than offsetting reduction in physical retail sales caused by closures during lockdown and Tier 4 restrictions
- UK customer database grew by 38%, adding +0.6m active members (USA customer database grew by 170%, Japan customer database grew by 900%)
- 51% of UK sales in the period from direct to consumer digital (online sales, subscriptions, and online experiences)
- A pivot to digital-led growth in USA. Sales grew 22% in Q2 with the acceleration capped by level of inventory in-country at peak. We are expanding our capabilities in the USA to fully capture the market opportunity
- Japanese joint-venture's sales to consumers grew 228%. Wholesale sales by the Group to the joint venture contributed 1 percentage point of the Group’s year-on-year growth
- Underlying gross production margins stable. The impacts of the Covid-19 response drove an overall reduction in gross margins of 400bps year-on-year, with the scale of these headwinds expected to diminish once current ongoing restrictions ease
- Overheads reduced as a percentage of sales; 160bps lower year-on-year, mitigating the additional variable costs from increased digital and wholesale channel mix
- Continued progress on sustainable business goals:
    - Development of a new ‘gentle farming’ approach for cacoa growing
    - Investments in people created over 130 new roles
    - Achieved the highest ever team engagement survey result in our annual survey
    - The proportion of recyclable packaging rising to 93%

Angus Thirlwell, Co-founder and Chief Executive Officer of Hotel Chocolat, said:

“The Hotel Chocolat brand stayed strong during a difficult period for all of us. We certainly kept the chocolate flowing thanks to our online capabilities and multichannel expertise. We recorded superb results in the UK, USA and Japan despite Covid-19 restrictions affecting all our physical locations. We achieved sales growth during those periods when all UK physical locations were closed, demonstrating the brand’s appeal to our loyal customers, and our flexible business model.

“Databases of active customers grew substantially in all three markets, underpinning our confidence of growth in the years to come. In the UK, our multichannel model truly came of age, and excitingly, both Japan and the USA firmly stepped up from the ‘test and learn’ phase into ‘grow and scale’. Total brand sales, through direct-to-consumer and partner-channels combined, increased 16% year-on-year.

"Huge thanks go to all the Hotel Chocolat family who worked tirelessly to safely and creatively adapt the business and deliver these results. We know that we all played a role in maintaining morale and bringing happiness through chocolate in all the countries we operate in.

"We look forward to building the Hotel Chocolat brand further as we move closer to our goal of becoming the leading global direct-to-consumer premium chocolate brand."

For further information:

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Notes to Editors:

Hotel Chocolat is a direct-to-consumer premium chocolate brand, involved in every stage of chocolate from growing to making and distributing. The business was founded in 1993 by Angus Thirlwell and Peter Harris and has traded under the Hotel Chocolat brand since 2003. The Group sells its products online and through a network of locations in the UK and USA, and in Japan via a joint venture. The Group has an organic cacao farm and hotel in Saint Lucia, offering complete cacao immersion through tree-to-bar experiences and wellness treatments. The Group also has the Rabot flagship restaurant and cacao roastery in London's Borough Market. The Group was admitted to trading on AIM in 2016.

Chief Executive's statement (inclusive of financial review)

RESULTS

	Period ended 27 December 2020 £000	**Period ended 29 December 2019 £000**
Revenue	**101,896**	**91,716**
Gross profit	62,206	59,633
Operating expenses	(37,256)	(35,064)
Underlying EBITDA	**24,950**	**24,569**
Share-based payments	(197)	(527)
EBITDA	24,753	24,042
Depreciation & amortisation of property, plant & equipment	(3,153)	(2,982)
Loss on disposal of property, plant & equipment	(23)	(12)
Depreciation of Right of Use asset	(5,081)	(5,212)
Operating profit	**16,496**	**15,836**
Finance income	79	62
Finance expense	(897)	(905)
Share of joint venture results	(219)	(9)
Profit/(Loss) before tax	**15,459**	**14,984**
Tax expense	(3,321)	(1,908)
Profit for the period	**12,138**	**13,076**
Earnings per share – Basic	9.7	11.5p
Earnings per share – Diluted	9.6	11.4p
Dividend per share	Nil	Nil

CHIEF EXECUTIVE'S STATEMENT

I am pleased to report continued progress for the Hotel Chocolat brand during the 26 weeks to 27 December 2020. Revenue for the period increased by 11% and profit before tax increased by 3%.

Our strong brand and direct-to-consumer multichannel model truly came of age in the UK, whilst the USA and Japan both delivered promising growth, firmly stepping up from the 'test and learn' phase into 'grow and scale'.

Brand

Our brand purpose is to bring happiness through chocolate. This means bringing happiness to all the communities we connect with, covering customers, team-members, growers, suppliers, and local communities. This is our North Star and by continuing to follow it we will achieve our business goal of becoming the leading global direct-to-consumer premium chocolate brand. Our commitment is to progressively improve every year on delivering this plan. In the period we made some good steps towards this.

Our compelling brand, innovative lifestyle product range and Direct-to-Consumer model mean we have many ways to bring happiness to a household, including via in-home authentic drinks, leisure experiences out of home, gift-sending to other households, and recurring purchases of treats for the household. The appeal of our products across generations, the combination of physical locations and fast growing online, plus the improvement in our customer engagement now present a significant opportunity to increase customer numbers and purchase frequency, and to create true "HC households".

Customers

Our customers justifiably expect us to continuously conjure up new happiness-inducing creations, and we launched multiple new product including our Unbelievably Vegan chocolate selections made with our Nutmilk recipe, latte-mocha hot chocolates for our Velvetiser in home system, and new pourable chocolate cream liqueurs in Espresso Martini, Salted Caramel & Clementine, and Mint recipes.

Prior to the first lockdown, over 1.5 million customers had joined our VIP Me loyalty program. As a result, we were able to stay connected to these customers whilst their favourite local Hotel Chocolat was temporarily closed. In the six-month period we added a further 0.6 million new active customers to our database, and deepened our engagement and brand recall, even when our physical retail channel was closed. We also launched new subscriptions to keep the chocolate flowing into homes.

Colleagues
Nourishing a truly meritocratic culture, where anyone from any background can have a happy, fulfilled career is essential to us. Our guiding principle is to 'be brave and be kind'. In the period we invested in external training in inclusion for every member of the HC Family, to better unlock the benefits of diversity. Our anti-racism group, composed of motivated individuals from our USA, UK, Saint Lucian and Japanese teams met 13 times in the period and is now firmly established, dismantling all types of discrimination, whether overt or subtle, and ensuring everyone has the opportunity to progress inside Hotel Chocolat.

We created over 130 new job roles across the worldwide business, and following an unprecedented period of rapid adaptations as a team in response to Covid, we achieved our highest ever scores in the annual all-employee engagement survey conducted in September.

Growers
Our objective is to ensure that cacao farming is economically, environmentally, and socially sustainable. Chocolate is loved by people all over the world and generates good margins for many businesses. It is wrong on every level that the growers of the magic ingredient are often impoverished and disenfranchised and that this situation has perpetuated for many decades. We aim to support a decent living income for each farming household, and we encourage responsible 'gentle farming' methods that are 'climate-smart', leveraging the natural biology of cacao trees which grow best in biodiverse environments under the shade of other tree species. Jo Brett, CEO of Hotel Chocolat Saint Lucia is taking our farming practices there to the next level, and our goal is to swiftly apply the learning from this to our farmer relationships in Ghana, the source of the majority of our cacao, and we will update further on our progress later this year.

Community and Planet
Our goal is for 100% recyclable packaging. In the period we:

- Improved our collaboration with our upstream supply-chain partners to increase the amount of recycled material used in our packaging, and to reduce our usage of cardboard.
- Continue to redesign our bags and packaging to reduce their environmental footprint, and now over 93% of our packaging is widely recyclable.

The most challenging material to recycle locally is flexible packaging, which we take back in our Hotel Chocolat locations, but which is not yet collected kerbside in the UK. As members of the Plastic Pact, we lobby for better recycling practices and co-operate on new packaging technologies as we strive for our goal of 100% recyclable packaging.

We are also making good progress in implementing an ISO Environmental Management System to ensure our production operations minimise their environmental footprint. Our continued investment in capital projects to increase the scale of our manufacturing presents us with a real opportunity to reduce the carbon-intensity by designing in climate smart practices.

Markets
Physical locations in the UK and the USA were closed for various extended periods of time, and in all three markets footfall to open locations reduced as consumers followed government guidance. Despite this impact, the UK, USA, and the Japan joint venture all achieved year-on-year growth, demonstrating the strength of the brand and our online capabilities.

UK
Despite a combination of lockdowns and tiering restrictions which reduced physical retail sales, the online offer drove strong sales growth, and we added 0.6 million new customers to our database. By combining a strong brand, multiple product categories and effective routes to market, we achieved overall growth whilst the physical locations were closed.

We remain fully committed to physical locations as they are a powerful way to recruit profitable new multichannel customers, and they deliver the deepest brand experience. We have three new locations opening during 2021. We have negotiated ongoing improved lease terms for 13% of our leases, with a further 56% of locations having a lease event in the next 24 months. As planned, we will use these opportunities to renegotiate or relocate to more attractive sites on better deals.

USA

Lockdown restrictions resulted in dramatically lower footfall. Two of the four physical sites are in mass transit hubs and were temporarily closed throughout H1. The team made a concerted effort to pivot the business to a digital model, immediately driving total sales growth of 47% in October and November combined. The sales acceleration resulted in some local stock shortages which constrained December growth. We are expanding our supply capabilities to capture the market opportunity. The customer database grew by 170%.

Japan
Our partner had fast growth, with +228% sales uplift, the opening of 11 new locations (taking the total to 19) and fielding 40 pop-ups for the key spring trading seasons in February and March. The locations are designed in our latest lifestyle format, which is popular with both prospective landlords and consumers, and delivers strong engagement and high VIP sign-up rates. The VIP customer database grew by 892% to 50,000. Property costs in Japan are typically flexible, with leases based on a percent of sales revenue. The Group's sales to our partner at wholesale prices contributed 1%pt to the Group's reported sales growth.

Saint Lucia
Visitor numbers reduced materially due to travel restrictions and as a result sales were 82% lower year-on-year. During the period of reduced occupancy, the team accelerated expansion works, ahead of the future easing of restrictions. Our Project Chocolat 6-acre visitor attraction opened during the half, and a doubling of the room numbers is well underway. I am particularly pleased that our 'gentle farming' approach to sustainable cacao growing made excellent progress and is ready to be expanded beyond the testbed of our own organic model farm, to the growers we work with in Ghana.

Operations
Operational performance is covered in more detail in the Financial review below. Careful Covid adaptations meant that we were able to continue to safely produce and distribute our products and to achieve similar unit costs of manufacture. However, gross margins were impacted by the additional costs of adapting the supply chain to shifting demand patterns across channels in response to Covid, and increased levels of inventory clearance and write-off due to the impacts of lockdowns altering the rates of sale of some impulse-product categories.

Overheads increased more slowly than sales. Further detail on overheads is included in the Financial Review.

FINANCIAL REVIEW

Revenue
Group revenue increased by 11% to £101.9m. Driven by multichannel growth in the UK, USA & Japan. Strong online and digital partner growth more than offset the impact of physical retail closures due to government restrictions.

Profit Before Tax
Profit before tax increased by 3% to £15.5m.

Gross margin
Gross margin declined by 400 basis points from 65.0% to 61.0%. Manufacturing productivity was safely maintained, with unit costs of production in line with prior year. Margin headwinds in H1 related to the impacts of Covid on customer buying patterns, which resulted in some temporary increases in discounting to clear inventory. The value of raw material write-offs increased due to temporary range rationalisation, which supported safer and smoother operation of the factory and supply chain. The shift in channel mix from retail to online reduced margin by 230bps due to the greater take-up of offers and multibuys when shopping online.

Operating expense
Operating expenses grew by 6%, which was slower than sales growth, as a result operating expenses as a percent of sales fell by 160 basis points from 38.2% to 36.6%.

The temporary cessation of business rates contributed +220bps of savings, and lower rents including turnover-based leases contributed +140bps. Retail customer service staff were furloughed during lockdown, reducing overheads by 80bps. The rapid channel mix shift to online resulted in higher variable costs for pick, pack, and despatch, as well for digital marketing, website licence and credit card fees. The combined impact of changing channel mix was a headwind of (150bps). The Group continues to invest in key roles to further drive brand innovation, digital customer engagement, and global supply, to deliver future growth in sales, these investments increased overheads by (130bps).

Underlying EBITDA
Underlying EBITDA is a non-GAAP measure and increased 2% year-on-year to £24.9m.

Share based payments
Share-based payment expense of £0.2m (H1 FY20: £0.5m) related to the share-based Long-Term Incentive Plan and an all-employee Save As You Earn schemes.

Foreign currency
The business manufactures the majority of its products in the UK; however, it does purchase some premium ingredients and materials in foreign currencies, predominantly Euros and Dollars. The Group hedges its forecast foreign currency purchases up to 18 months ahead. The movement in exchange rates have impacted margin by +10 basis points.

The import of ingredients and materials from Europe has not been materially disrupted by Brexit. The Group's export focus remains on USA and Japan, with a modest level of sales made to the EU via the Group's website.

Finance income and expense
Finance expense of £0.9m reflects £0.6m of interest charged in relation to Right of use Assets, £0.2m of interest for the CLBILs RCF that the Group has in place, and £0.1m of realised derivative interest. Finance income of £0.1m is driven primarily by interest from a related party.

Earnings per share
Basic earnings per share in the period decreased 16% to 9.7p (H1 FY20: 11.5p). In the prior year, the exercise of the 2016 Long Term Incentive Plan and Save As You Earn schemes in the period resulted in material corporation tax deductions, which gave rise to an effective tax rate of 12.7% in H1 FY20. This year, the effective tax rate has reverted to 21.5% which is closer to historic averages for the Group.

Dividend
In March 2020, in response to the potential risks arising from the Covid-19 pandemic, the Board raised additional equity via a placing and paused its progressive dividend policy. Whilst the medium-term outlook benefits from the rollout of vaccines, the duration and intensity of the current restrictions remains uncertain. We are mindful of the potential growth opportunities in USA and Japan, and the Board will continue to review potential reinstatement of any dividend relative to the potential opportunities for re-investment in service of profitability and growth.

Cash flow and closing cash position
During the period, the Group had access to a £35m CLBILs Revolving credit facility, which then reduced to £25m from 1 Jan 2021 and is committed in place until the end of December 2021. Net cash inflow from operating activities was £34.7m (H1 FY20: £30.2m) an increase of 15%. Net cash (being cash minus borrowings) at the end of the period was £47.6m (H1 FY20: £24.3m).

The strong cash position is a result of the sales performance and cost control and was supported by the £22m equity placement completed in March 2020. As at 28th February 2021, the Group has net cash of £26.3m.

CURRENT TRADING AND OUTLOOK
Since the end of the financial reporting period, trading has continued to be in line with the Board's expectations. The multichannel performance of the UK remains encouraging and the new markets continue to show promising growth. As per recent UK government guidelines, from 12th April we expect to begin re-opening our UK physical locations, with appropriate Covid-19 secure measures in place.

In delivering these results in a context of the global pandemic, the business has demonstrated creativity, resilience and spirit. A focus on bringing happiness through chocolate in every facet of our operations will nurture the brand appeal, furthering our business goal of becoming the leading global direct-to-consumer premium chocolate brand.

Angus Thirlwell
Co-founder and Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 27 December 2020

	Notes	*Unaudited* 26 weeks ended 27 December 2020 £'000	*Unaudited* 26 weeks ended 29 December 2019 £'000
Revenue		101,896	91,716
Cost of sales		(39,690)	(32,083)
		62,206	59,633
Operating expenses		(45,710)	(43,797)
	3	16,496	15,836
Finance income	4	79	62
Finance expenses	4	(897)	(905)
Share of joint venture results		(219)	(9)
Profit before tax		15,459	14,984
Tax expense		(3,321)	(1,908)
Profit for the period		12,138	13,076
Other comprehensive income:			
Fair Value movement on hedges		(1,054)	(518)
Deferred tax charge on hedges		175	42
Currency translation differences arising from consolidation		(736)	(227)
Currency movement on net investment		(572)	-
Total comprehensive income for the period		9,951	12,373
Basic Earnings per share	5	9.7p	11.5p
Diluted Earnings per share	5	9.6p	11.4p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 27 December 2020

	Notes	*Unaudited* As at 27 December 2020 £'000	*Unaudited* As at 29 December 2019 £'000	*Audited* As at 28 June 2020 £'000
ASSETS				
Non-current assets				
Intangible assets		3,192	3,244	2,897
Property, plant, and equipment	6	44,159	45,009	41,868
Right of use asset	6	37,896	50,728	39,848
Investment in joint ventures		81	-	-
Loan to joint venture		9,678	3,970	5,705
Derivative financial assets		10	12	92
Deferred tax asset		916	278	597
		95,932	103,241	91,007
Current assets				
Derivative financial assets		402	-	1,100
Inventories		15,544	16,222	13,916
Trade and other receivables		17,680	10,230	6,942
Corporation tax receivable		-	-	1,520
Cash and cash equivalents		47,629	24,299	28,053
		81,255	50,751	51,531
Total assets		**177,187**	**153,992**	**142,538**
LIABILITIES				
Current liabilities				
Trade and other payables	7	50,484	34,758	27,251
Corporation tax payable		2,580	712	-
Derivative financial liabilities		392	404	27
Lease liabilities		13,735	11,705	10,993
		67,191	47,579	38,271
Non-current liabilities				
Other payables and accruals	7	26	-	31
Derivative financial liabilities		5	-	327
Lease liabilities		31,345	43,221	35,960
Provisions		956	-	959
		32,332	43,221	37,277
Total liabilities		**99,523**	**90,800**	**75,548**
NET ASSETS		**77,664**	**63,192**	**66,990**
EQUITY				
Share capital		126	116	126
Share premium		37,726	15,825	37,627
Retained earnings		36,417	43,760	24,279
Translation reserve		843	1,026	1,579
Merger reserve		223	223	223
Capital redemption reserve		6	6	6
Other reserves		2,323	2,236	3,150
Total equity attributable to shareholders		**77,664**	**63,192**	**66,990**

CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 27 December 2020

	Notes	*Unaudited* **26 weeks ended 27 December 2020 £'000**	*Unaudited* **26 weeks ended 29 December 2019 £'000**
Profit before tax for the period		15,459	14,984
Adjusted by:			
Depreciation of property, plant, and equipment	6	2,749	2,727
Depreciation of Right of use asset		5,081	5,212
Amortisation of intangible assets		404	255
Loss of joint ventures		219	9
Profit recognised on lease modifications		(75)	-
Net interest expense		818	845
Share-based payments		197	527
Loss on disposal of property, plant and equipment and intangible assets		23	12
Operating cash flows before movements in working capital		**24,875**	**24,571**
Increase in inventories		(1,628)	(3,412)
Increase in trade and other receivables		(12,592)	(3,111)
Increase in trade and other payables and provisions		23,771	15,590
Cash inflow generated from operations		**34,426**	**33,638**
Interest received		3	6
Income tax received/(paid)		751	(2,541)
Interest paid on:			
- interest paid – IFRS leases		(302)	(722)
- derivative financial instruments		(101)	(104)
- bank loans and overdraft		(125)	(45)
Cash flows from operating activities		**34,652**	**30,232**
Purchase of property, plant, and equipment		(6,402)	(7,362)
Proceeds from disposal of property, plant, and equipment		-	79
Investment in joint venture		(300)	-
Loan to joint venture		(3,900)	(1,482)
Purchase of intangible assets		(751)	(480)
Cash flows used in investing activities		**(11,353)**	**(9,245)**
Proceeds on issue of shares		99	4,078
Capital element of hire purchase and finance leases repaid		-	(17)
Payment of IFRS16 lease liabilities		(3,758)	(5,065)
Dividends paid		-	(1,386)
Cash flows used in financing activities		**(3,659)**	**(2,390)**
Net change in cash and cash equivalents		19,640	18,597
Cash and cash equivalents at beginning of period		28,053	5,778
Foreign currency movements		(64)	(76)
Cash and cash equivalents at end of period		**47,629**	**24,299**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 27 December 2020

	Share capital £000s	Share Premium £000s	Retained earnings £000s	Translation reserve £000s	Merger reserve £000s	Capital redemption reserve £000s	Other reserves £000s	**Total £000s**
Equity as at 30 June 2019	113	11,750	33,359	1,253	223	6	2,626	49,330
Adjustment on initial application of IFRS 16	-	-	(1,289)	-	-	-	-	(1,289)
Opening Equity as at 1 July 2019	**113**	**11,750**	**32,070**	**1,253**	**223**	**6**	**2,626**	**48,041**
Issue of share capital	3	4,075	-	-	-	-	-	4,078
Share-based payments	-	-	-	-	-	-	466	466
Deferred tax charge on share-based payments	-	-	-	-	-	-	(380)	(380)
Profit for the period	-	-	13,076	-	-	-	-	13,076
Dividends paid	-	-	(1,386)	-	-	-	-	(1,386)
Other comprehensive income:								
Fair value movement on cash flow hedges	-	-	-	-	-	-	(518)	(518)
Deferred tax charge on cash flow hedges	-	-	-	-	-	-	42	42
Currency translation differences arising from consolidation	-	-	-	(227)	-	-	-	(227)
Equity as at 29 December 2019	**116**	**15,825**	**43,760**	**1,026**	**223**	**6**	**2,236**	**63,192**
Adjustment on initial application of IFRS 16	**-**	**-**	**63**	**-**	**-**	**-**	**-**	**63**
Equity as at 30 December 2019	**116**	**15,825**	**43,823**	**1,026**	**223**	**6**	**2,236**	**63,255**
Issue of share capital	10	22,228	-	-	-	-	-	22,238
Costs associated to issue of share capital	-	(426)	-	-	-	-	-	(426)
Loss for the period	-	-	(19,544)	-	-	-	-	(19,544)
Share-based payments	-	-	-	-	-	-	(104)	(104)
Deferred tax charge on share-based payments	-	-	-	-	-	-	(319)	(319)
Forex reclassified to cost of sales and inventory	-	-	-	-	-	-	(194)	(194)
Other comprehensive income:								
Fair value movement on cash flow hedges	-	-	-	-	-	-	1,794	1,794
Deferred tax charge on cash flow hedges	-	-	-	-	-	-	(263)	(263)
Currency translation differences arising from consolidation	-	-	-	553	-	-	-	553
Equity as 28 June 2020	**126**	**37,627**	**24,279**	**1,579**	**223**	**6**	**3,150**	**66,990**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 27 December 2020

	Share capital £000s	Share Premium £000s	Retained earnings £000s	Translation reserve £000s	Merger reserve £000s	Capital redemption reserve £000s	Other reserves £000s	**Total £000s**
Equity as 28 June 2020	**126**	**37,627**	**24,279**	**1,579**	**223**	**6**	**3,150**	**66,990**
Issue of share capital	-	99	-	-	-	-	-	99
Share-based payments	-	-	-	-	-	-	197	197
Deferred tax charge on share-based payments	-	-	-	-	-	-	173	173
Profit for the period	-	-	12,138	-	-	-	-	12,138
Forex reclasssified to cost of sales and inventory	-	-	-	-	-	-	254	254
Other comprehensive income:								
Fair value movement on hedges	-	-	-	-	-	-	(1,054)	(1,054)
Deferred tax charge on hedges	-	-	-	-	-	-	175	175
Currency movement on net investment	-	-	-	-	-	-	(572)	(572)
Currency translation differences arising from consolidation	-	-	-	(736)	-	-	-	(736)
Equity as at 27 December 2020	**126**	**37,726**	**36,417**	**843**	**223**	**6**	**2,323**	**77,664**

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union.

The accounts have been prepared in accordance with accounting policies that are consistent with the Group's Annual Report and Accounts for the period ended 28 June 2020. This is with the exception of the calculation of right of use assets and lease liabilities under IFRS16. The Group has elected to adopt the COVID-19 Practical Expedient for rent payment concessions; this expedient had not been approved for use for the period ended 28 June 2020. Subject to certain criteria, the Practical Expedient allows rent concessions to be recognised in the profit and loss statement rather than being treated as lease modifications.
The Group's Annual Report and Accounts for the period ended 27 June 2021 are expected to be prepared under UK IFRS.

The comparative financial information for the period ended 28 June 2020 in this interim report does not constitute statutory accounts for that period under 435 of the Companies Act 2006.

Statutory accounts for the period ended 28 June 2020 have been delivered to the Registrar of Companies.

The auditors' report on the accounts for 28 June 2020 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Significant accounting policies

At the year ended 28 June the Directors undertook a comprehensive assessment to consider the Group's ability to trade as a going concern having considered the significant uncertainties being faced by the retail sector because of COVID-19.

The assessment included a review of a Base case and Downside scenario. The base case considered a year-on-year reduction in Retail sales but with a strong transition to Online and continued delivery of Wholesale growth plans.
The Board also considered the levers available to mitigate the impact on profit and cashflow if performance and the pandemic were to follow the downside scenario. These included:

- Reductions in working capital & variable costs in response to lower sales
- Deferring or cancelling discretionary spend, and reducing ongoing fixed costs of the operation
- Deferring Capital expenditure and overseas investment
- Government funding support

Since 28 June 2020, the Group has consistently performed ahead of the Base case. To assess the Group's position as at 27 December 2020 the Directors have reviewed an updated Base case reflecting the current National Lockdown for the first quarter of CY2021 and disrupted Retail ongoing to September, offset by the continuing strong performance of Digital and Wholesale.
On this basis the Board has a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements and will not breach any covenants over the remaining term of the current facilities. For these reasons they continue to adopt the going concern basis of accounting in preparing the consolidated financial information and have concluded that there is no material uncertainty in relation to going concern.

The interim financial results have been prepared by applying the accounting policies that were applied in the preparation of the 2020 Annual Report and Accounts which are published on the Hotel Chocolat website, www.hotelchocolat.com, except for the IFRS16 practical expedient noted above. There are no new or amended standards effective in the period which has had a material impact on the interim consolidated financial information.

3. Profit from operations

Profit from operations is arrived at after charging/(crediting):

	Unaudited 26 weeks ended 27 December 2020 £000	*Unaudited* 26 weeks ended 29 December 2019 £000
Staff cost	24,634	23,924
Depreciation of property, plant, and equipment	2,749	2,727
Amortisation of intangible assets	404	255
Depreciation of Right of Use asset	5,081	5,212
Loss on disposal of property, plant and equipment and intangible assets	23	12
Exchange differences	(51)	(88)
Government grants received	(893)	-
Bad debt expense	-	18

4. Finance income and expenses

	Unaudited 26 weeks ended 27 December 2020 £000	*Unaudited* 26 weeks ended 29 December 2019 £000
Interest from related party	73	-
Interest on bank deposits	3	6
Unrealised interest on derivative financial instruments	3	56
Finance income	**79**	**62**
Interest on bank borrowings	192	79
Realised interest on derivative financial liabilities	101	104
Finance leases and hire purchase contracts	-	-
IFRS 16 Interest charge	604	722
Finance expenses	**897**	**905**

5. Earnings per share

Profit for the period used in the calculation of the basic and diluted earnings per share:

	Unaudited **26 weeks ended 27 December 2020 £000**	***Unaudited*** **26 weeks ended 29 December 2019 £000**
Profit after tax for the period	12,138	13,076

The weighted average number of shares for the purposes of diluted earnings per share reconciles to the weighted average number of shares used in the calculation of basic earnings per share as follows:

	Unaudited **26 weeks ended 27 December 2020**	***Unaudited*** **26 weeks ended 29 December 2019**
Weighted average number of shares in issue used in the calculation of earnings per share (number) - Basic	125,509,201	114,197,428
Dilutive share options outstanding - Hotel Chocolat Group plc Save As You Earn Plan	48,168	566,898
LTIP 2016 unexercised options	240,830	418,810
Weighted average number of shares in issue used in the calculation of earnings per share (number) - Diluted	**125,798,199**	**115,183,136**
Basic Earnings per share (pence)	9.7	11.5
Diluted Earnings per share (pence)	9.6	11.4

As at 27 December 2020, the total number of potentially dilutive shares issued under the Hotel Chocolat Group plc Long-Term Incentive Plan was 501,073 (29 December 2019: 301,073). Due to the nature of the options granted under this scheme, they are considered contingently issuable shares and therefore have no dilutive effect.

6. Property, plant and equipment

	Freehold property £000	Leasehold property £000	Furniture & fittings, Equipment, Computer software & hardware £000	Plant & machinery £000	Right of use asset £000	Total £000
26 weeks ended 29 December 2019						
Cost:						
As at 30 June 2019	**14,775**	**735**	**36,184**	**21,544**	**-**	**73,238**
IFRS 16 opening adjustment	-	-	(695)	-	50,603	49,907
As at 1 July 2019	**14,775**	**735**	**35,489**	**21,544**	**50,603**	**123,145**
Additions	586	18	3,647	4,178	5,507	13,936
Disposals	-	-	(401)	-	-	(401)
Translation differences	(339)	-	(67)	-	(179)	(585)
As at 29 December 2019	**15,022**	**753**	**38,668**	**25,722**	**55,931**	**136,095**
Accumulated depreciation:						
As at 30 June 2019	**816**	**735**	**19,845**	**11,727**	**-**	**33,123**
IFRS 16 opening adjustment	-	-	(353)	-	-	353
As at 1 July 2019	**816**	**735**	**19,492**	**11,727**	**-**	**32,770**
Depreciation charge	80	-	2,059	588	5,212	7,939
Disposal		-	(309)	-	-	(309)
Translation differences	(11)	-	(21)	-	(9)	(41)
As at 29 December 2019	**885**	**735**	**21,221**	**12,315**	**5,203**	**40,359**
Net book value						
As at 29 December 2019	**14,137**	**18**	**17,447**	**13,407**	**50,728**	**95,737**
26 weeks ended 27 December 2020						
Cost:						
As at 28 June 2020	**17,038**	**1,397**	**39,838**	**26,816**	**54,830**	**139,919**
Additions	1,205	-	763	4,297	5,229	11,494
Disposals	-	(18)	(5)	(157)	(1,663)	(1,843)
Translation differences	(1,152)	-	(219)	-	(689)	(2,060)
As at 27 December 2020	**17,091**	**1,379**	**40,377**	**30,956**	**57,707**	**147,510**
Accumulated depreciation:						
As at 28 June 2020	**3,267**	**768**	**26,174**	**13,013**	**14,982**	**58,204**
Depreciation charge	98	64	1,848	739	5,081	7,830
Disposal	-	-	(4)	(138)	(195)	(337)
Translation differences	(41)	-	(144)	-	(57)	(242)
As at 27 December 2020	**3,324**	**832**	**27,874**	**13,614**	**19,811**	**65,455**
Net book value						
As at 27 December 2020	**13,767**	**547**	**12,503**	**17,342**	**37,896**	**82,055**

As at 27 December 2020, the net book value of freehold property includes land of £3,893k (29 December 2019: £4,740k), which is not depreciated.

7. Trade and other payables

	Unaudited 26 weeks ended 27 December 2020 £000	*Unaudited* 26 weeks ended 29 December 2019 £000
Current		
Trade payables	11,329	10,504
Other payables	8,557	4,376
Other taxes payable	11,880	9,566
Accruals	18,718	10,312
	50,484	**34,758**
Non-current		
Other payables	26	-
	26	**-**