27 September 2017

Hotel Chocolat Group plc
("Hotel Chocolat", the "Company" or the "Group")

Preliminary Results

Hotel Chocolat Group plc, a premium British chocolatier and omni-channel retailer, today announces its preliminary results for the period ended 2 July 2017.

Financial highlights:

- Revenue of £105.2m (2016: £91.1m), growth of +12% year on year[1]
- Underlying EBITDA[2] up 32% to £16.3m (2016: £12.4m)
- Profit before tax up 100% to £11.2m (2016: £5.6m)
- Profit after tax up 115% to £8.8m (2016: £4.1m)
- Earnings per share up 100% to 7.8p (2016: 3.9p)
- Maiden dividend of 1.6p per share

Operational highlights:

- Strong sales growth across retail, digital & corporate channels
- Opened 12 new stores in the period taking Group total to 94 stores
- Now have 15 Shop+cafe format stores, giving the ability to trade well in a wider variety of catchments
- £4m upgrade of truffle making production line complete; truffle making capacity increased by 70%
- 6 new wholesale accounts since period end
- Opened 2 franchised stores to date in Hong Kong

[1] Reported revenue for FY17 of £105.2m is for 53 weeks, (FY16: 52 weeks £91.1m). Revenue growth for a comparable 52 week period on a pro forma basis in constant currency is 12% (FY17: £104.2m, FY16: £93.1m). Hotel Chocolat Estates Limited, Saint Lucia (HCESL) was acquired by the Group in May 2016 and is included in the pro forma growth as if the Company had always been a member of the Group.
[2] Underlying EBITDA of £16.3m excludes share-based payment charges of £0.6m. FY16 underlying EBITDA of £12.4m excludes £0.1m of share-based payment charges and £2.6m of costs relating to the flotation of the Group in May 2016.

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

"I am pleased to report another year of growth and good results. The Hotel Chocolat brand has continued to strengthen and we have made excellent progress with our three strategic priorities of investing further in our British chocolate manufacturing operations, growing our store estate and developing our digital offering.

"All our channels are growing. In retail, the new Shop+cafe format is proving popular, our new website has improved conversion on mobile devices and since the year-end, we have signed six new wholesale accounts that will make it easier for consumers to buy Hotel Chocolat products.

"Given the encouraging performance of our retail and internet channels, along with the pipeline of opportunities ahead of us, we are confident of further growth. This of course depends on the availability of suitable sites. We have further improved our Christmas ranges and this year will be our biggest ever seasonal offering."

This announcement contains inside information for the purposes of the Market Abuse Regulation.

For further information:

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Notes to Editors:
Hotel Chocolat is a premium British chocolatier with a strong and distinct brand that is at the core of its offering. 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 94 stores in the UK and abroad. The Group has fifteen Shop+cafe format stores, one restaurant in the UK and a cocoa plantation and hotel in Saint Lucia. The Group was admitted to trading on AIM in May 2016.

Chairman's statement

OVERVIEW
FY17 represented another good year for Hotel Chocolat and the investments in new stores, new website and factory capacity have driven excellent growth and improved profitability. The brand continued to expand with a range of innovations that both supported this growth and set up exciting new and future opportunities.

RESULTS
The Group achieved a pleasing result in FY17 with revenue of £105.2m and growth of 12% versus FY16[1]. Strong cost control meant that operating margins improved with profit before tax increasing by 100% to £11.2m.

STRATEGY
The growth strategy remains unchanged and is based on proven and profitable business models; to continue to open more stores and invest in digital to make it easier for consumers to access our brand, whilst investing in infrastructure to increase capacity and improve efficiency.

PEOPLE
The Group continues to be led by a strong founder-led executive management team that have built a successful business. In April, we welcomed Greg Hodder to the Board as a Non-executive Director. He has already made a valuable contribution to the Board and brings excellent experience to his role as Chair of the Remuneration Committee. I would also like to extend my thanks to the whole Hotel Chocolat team for their tireless hard work and commitment which has delivered results to be proud of.

DIVIDENDS
The Board is pleased to propose a maiden final dividend of 1.6 pence per share. If approved by shareholders at the AGM on 23 November 2017 it will be paid on 22 December 2017 to shareholders on the register at 24 November 2017.

OUTLOOK
Despite challenges and uncertainties in the wider economy, trading since the end of the financial period has been encouraging. The strength of the brand drives great customer loyalty and we are well positioned for the future, with a strong pipeline of opportunities.

Andrew Gerrie
Chairman

[1] Reported revenue for FY17 of £105.2m is for 53 weeks, (FY16: 52 weeks £91.1m). Revenue growth for a comparable 52 week period on a pro forma basis in constant currency is 12% (FY17: £104.2m, FY16: £93.1m). HCESL was acquired by the Group in May 2016 and is included in the pro forma growth as if the Company had always been a member of the Group.

Chief Executive's statement

In my second Chief Executive's statement, I am pleased to report another year of significant progress for the Group. Revenue grew by 12%[1], underlying EBITDA[2] increased by 32% to £16.3m and profit after tax increased by 115% to £8.8m. We further refined our business model and all channels achieved growth, whilst a focus on cost efficiency resulted in an improved EBITDA margin.

I would like to thank the whole team for their enthusiasm and passion, without which these results would not have been possible.

SALES CHANNEL REVIEW

Our multi-channel model continues to work well: each channel supports the others and all channels are in growth.

Physical

Our existing stores continued to perform very well and we opened twelve new stores in the year, of which eight were in the Shop+cafe format. We will continue to open both pure chocolate shops and Shop+cafe formats to best match the opportunity in each location. We opened Shop+cafes in Worcester, London Euston Station, London Covent Garden, Cheshire Oaks Designer outlet, Bury St Edmunds, Chelmsford, Glasgow Buchanan Street, and our second store in Belfast. Through modular design techniques we are now able to open a Shop+cafe for the same capital expenditure as a Shop-only store previously. The results from this format have given us confidence to test it in smaller catchments, which if successful has the potential to materially increase the number of new sites in the UK.

We also opened Shop-only stores in Wandsworth, Clapham Junction Station, Peterborough and Crawley.

Our existing estate also received investment. We brought Ice Cream of the Gods to 40 locations and in the summer completed our first retrofit of a cafe into an existing store, at Milton Keynes. If this test proves successful we see scope to add cafes in many of our larger locations. Adding a cafe adds more reasons to visit, whilst deepening the customer experience. By keeping the operation simple, this can be achieved without significant additional operating costs and with modest additional capital expenditure. Since the end of the financial period we have opened two stores in Beverley and Clarks Village, a designer outlet in Street, and at the time of writing have signed leases on a further six, all of which we expect to be trading before Christmas 2017.

Digital

Digital sales growth in the year was a combined 8%, made up of 18% growth in online sales and a decline of 5% in subscriptions as we continued to reform and improve this part of our model, prior to investing in the next stage of growth. Subscription profits increased due to the focus on improving the operational infrastructure and increasing synergies with our other channels.

Now that we have improved the operational foundations of subscription, we are well positioned to extend further trials of our new subscription concepts including a new weekly subscription, called the M-Box, which achieved encouraging customer reaction in trials and is now ready for the next stage of development.

Our new mobile-optimised website has had a successful debut. Increasingly consumers are choosing to shop on mobiles rather than desktops, but conversion to buy on mobiles is typically lower than on desktop, so it is encouraging that we have increased mobile conversion by 30%. Mobile devices now account for more than half of all traffic to our website and we expect this to increase. A new app is under development, which will make mobile gift sending fun and easy as well as allowing us to offer loyalty rewards to more of our customers.

Wholesale

Market research has shown that UK consumers cite "lack of access" as the main barrier to purchasing more from Hotel Chocolat. We have acted to reduce this barrier by entering carefully selected wholesale relationships with six new customers including Amazon, Ocado and Fenwicks department store. From autumn 2017, edited 'capsule collections' of our products will be available, enabling customers to take advantage of their preferred methods of delivery

International
Our international aspirations continue to follow our strategy of a careful 'test, learn, grow' approach.

Highlights include improved ongoing performance in Copenhagen, as well as a debut in Hong Kong in two locations, with a local partner. Early results from Hong Kong have been encouraging and we are preparing for the peak gifting seasons which will determine the pace of any store rollout.

The current revamping of our subscription offer is also a key element in our international digital aspirations.

OPERATIONAL REVIEW
The key seasonal ranges traded strongly. Particular highlights included our new modular gift sets at Christmas, which encouraged customers to trade up, and our new childrens' character range at Easter, which extended Hotel Chocolat luxury without compromise to a younger market. Our business infrastructure is already well invested and as the business grows, we remain focused on controlling overheads. It was pleasing this year to deliver a dilution of our underlying overhead ratio from 53.2% of sales to 52.4%.

Manufacturing Investment
At the beginning of the financial year we completed our largest ever capital project, a £4m upgrade of our main truffle making production line. This investment increased our truffle making capacity by 70% and our total factory capacity by over 20%. We have identified significant opportunities to further optimise our production by improved scheduling of our manufacturing cycles. This adjustment has driven an increase in inventories but is expected to deliver improved efficiency during FY18.

We are well advanced with planning further phases of operational capital expenditure. Our next major investment will be in the storage and handling of liquid chocolate, due to enter service in 2018. These new facilities will further increase capacity and improve efficiency.

We are also progressing our plans to extend the factory by 2020 in order to add further chocolate making capacity to support our growth, and continue to explore opportunities for further automation.

BRAND REVIEW
We continue to invest in our most important assets, the Hotel Chocolat brand, at many levels.

Our culture of constant innovation is crucial in ensuring the brand remains fresh and relevant. The pipeline of future excitements is reassuringly healthy. Those that we launch will have made it through our disciplined testing and live trialling system.

Aesthetically, our in-house design studio has strengthened the simplicity and confidence of our packaging design. In our stores too, the look has evolved to a lighter and more distinctive interior.

Becoming a leading one-stop gift brand is a strategic goal and our new event sleeves brought us closer to this, offering customers relevant products for more gifts occasions, from Birthday and Congratulations to Eid and Diwali gifts.

Our recipe creations collected an impressive haul of awards with 17 from the Academy of Chocolate and 3 Great Taste Awards. Winners included Saint Lucia Supermilk made with Buffalo Milk and Salted Pumpkin Seeds, Gianduja Hazelnuts, Lychee Sake Martini truffle, Teolat infusion drink with cacao and peppermint, and Supermilk Hazelnut.

CONSUMER TRENDS
Wellness
Consumers increasingly want uncompromisingly delicious and hedonistic chocolate that's also made with responsible amounts of sugar. Hotel Chocolat's 13-year track record of "more cocoa, less sugar" is applied to every grade of chocolate, from our whites, through milks and darks. This makes us virtually unique amongst premium chocolate brands. Flip over and read the ingredients of other milk and white brands and you will find it quite revealing! Sugar will most often be the number one ingredient even with premium pricing. In our view, if cocoa isn't the number one ingredient, it really should not be called chocolate. All our chocolate grades

meet this 'cocoa first' requirement, even our whites and milks. When you consider that sugar is about 20 times cheaper than cocoa, the reason why other brands take a different route becomes clear.

We carry a very wide range of darks, with cocoa percentages ranging from 70% all the way up to 100%. Public Health England have recently issued targets to reduce sugar in confectionery. Over 95% of our entire range already meets the targets for 2018. Our focus is on adding portion size information and increasing our ultra-low sugar and no added sugar recipes. We are about to launch Supermilk Pure, a zero-added sugar milk chocolate without any artificial sweeteners either. It’s truly delicious, with a simple recipe of 0% sugar, 20% milk and 80% cocoa.

Experiences

Experiences are becoming increasingly popular as a new luxury and consumers are seeking to go beyond the purely transactional, but only with brands they love. We are well positioned to grow with this trend. “Chocolate Lock-Ins” were launched in the year, attracting ticketed customers in small groups into our stores after closing time for some tutored tasting and nocturnal private shopping. The customer feedback has been extremely positive. It also enables our School of Chocolate graduates to show off their knowledge and converse with other real chocolate enthusiasts. We intend to continue developing the range of experiences we can offer, showcasing the brand obsession with making the best chocolate on the planet from farm to finished product and aspire to turn customers into advocates.

Mobile

Living an increasingly mobile and flexible life is a clear trend. Phase one of our plan to optimise the mobile shopping experience was completed with the launch of our new website. Phases two and three will include the introduction of an app to make it even easier to select and send a gift, and the creation of a digital rewards scheme for all customers, including retail buyers, with the aim of increasing purchase frequency.

OUTLOOK

In summary, I am confident that our plan for the coming year will deliver more growth. Our capital investments are prudent, going into proven store formats and digital channels, as well as in known production methods and technology. Continued innovation and a relentless focus on customer happiness aims to generate sales growth. By combining this with a tight control of costs, we aim to improve returns.

The market and wider economy may not be without challenges, but we still have significant addressable market headroom in the UK and benefit from having distribution and manufacturing directly under our control, which supports the resilience of our business. New ventures with online wholesale partners and a new international retail partner in Asia offer the potential to create new avenues for growth.

Maintaining the strong relationship we enjoy with our customers will always be our top priority.

Angus Thirlwell
Co-founder and Chief Executive Officer

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[2] Underlying EBITDA of £16.3m excludes share-based payment charges of £0.6m. FY16 underlying EBITDA of £12.4m excludes £0.1m of share-based payment charges and £2.6m of costs relating to the flotation of the Group in May 2016.

Financial review

Strong sales growth coupled with rising margins and cost control have resulted in further improvement in profitability.

	Period ended 2 July 2017 £m	**Period ended 26 June 2016 £m**
Revenue	**105.2**	**91.1**
Gross profit	71.5	60.9
Operating expenses	(55.2)	(48.5)
Underlying EBITDA	**16.3**	**12.4**
Exceptional costs	-	(2.6)
Share-based payments	(0.6)	(0.1)
Depreciation & amortisation	(3.7)	(3.2)
Loss on disposal	(0.1)	(0.1)
Operating profit	**11.9**	**6.4**
Finance income	0.0	0.2
Finance expense	(0.7)	(0.9)
Profit before tax	**11.2**	**5.6**
Tax expense	(2.4)	(1.5)
Profit for the period	**8.8**	**4.1**

REVENUE

Reported revenue for 53 weeks ending 2 July 2017 was £105.2m. Revenue for the comparable 52 week period ended 25 June 2017 increased by 12%[1] in constant currency on a pro forma basis.

GROSS MARGIN

Gross profit as a percent of sales improved from 66.8% to 67.9%, supported by the increased efficiency of the upgraded production line and better buying, partially offset by ongoing investment in improved product quality and increased investments in sustainability in Ghana.

OPERATING EXPENSES

A focus on cost control meant that underlying operating expenses as a percentage of sales reduced from 53.2% to 52.4%.

UNDERLYING EBITDA

Whilst EBITDA is not a statutory measure the Board believe it is helpful to investors to include as an additional metric. Underlying EBITDA as reported excludes share-based payment expenses of £0.6m (FY16: £0.1m) and is stated before exceptional costs relating to the flotation of the Group in May 2016 (FY17: £ nil, FY16: £2.6m). On this basis, underlying EBITDA as a percent of sales increased from 13.6% to 15.5%.

FINANCE INCOME & EXPENSE

Finance income in the prior year of £0.2m (FY17: £ nil) relates to interest on loans made to Hotel Chocolat Estates Saint Lucia before the company became part of the Group in April 2016.

In April 2016 the Group arranged an £18m 2-year RCF facility with Lloyds bank. Following a review by the Board of the Group's projected working capital requirements the RCF was replaced in May 2017 with a £10m overdraft facility with Lloyds bank.

DEPRECIATION & AMORTISATION

Depreciation increased as a result of additional capital expenditure.

Capital expenditure of £8m comprised investments in new stores and re-sites, IT projects and in operational projects including upgrades to factory capacity and capability.

PROFT BEFORE TAX
Profit before tax increased from £5.6m to £11.2m.

TAXATION
The effective rate of taxation is 21.8% (FY16: 27.0%). This is higher than the standard rate of 19.75% (FY16: 20.0%) mainly due to permanent timing differences between depreciation charges and capital allowances.

EARNINGS PER SHARE (EPS) AND DIVIDENDS
Earnings per share was 7.8p (FY16: 3.9p). Profit after tax increased by 115% but as a result of the increased weighted average number of shares, EPS as reported has increased by 100%. The weighted average number of shares in FY17 was 113m (FY16: 103m). The number of shares in issue is unchanged since the IPO in May 2016.

Having delivered a year of strong growth the Board is pleased to propose a maiden final dividend of 1.6 pence per share.

CASH POSITION
The Group had £8.5m of cash at period-end and £6.7m of borrowings in the form of chocolate bonds where bondholders receive boxes of chocolate or gift cards in lieu of interest.

WORKING CAPITAL
Closing inventories increased by £3.3m driven by a change to the frequency of production which improves factory capacity and gross margin but means stock will be manufactured sooner in advance of each trading season. This change increased stock cover from approximately 9 weeks cover in FY16 to 12 weeks in FY17.

PERFORMANCE INDICATORS
The Group monitors its performance using a number of key indicators which are agreed at Board meetings and monitored at operational and Board level.

Revenue growth %
Revenue grew 12%[1] year-on-year on a pro forma basis in constant currency

Gross margin %
Gross margin improved from 66.8% to 67.9%

Underlying EBITDA margin
Underlying EBITDA margin improved from 13.6% to 15.5%

Profit after tax margin
Profit after tax margin increased from 4.5% to 8.3%

Matt Pritchard
Chief Financial Officer

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 2 July 2017

	Notes	53 weeks ended 2 July 2017 £	52 weeks ended 26 June 2016 £
Revenue		105,240,130	91,089,824
Cost of Sales		(33,757,943)	(30,237,009)
		71,482,187	60,852,815
Administrative expenses	2	(59,554,041)	(54,486,943)
		11,928,146	6,365,872
Finance income		3,230	172,106
Finance expenses		(725,865)	(946,884)
Share of joint venture loss		(300)	-
Profit before tax		11,205,211	5,591,094
Tax expense		(2,441,362)	(1,507,290)
Profit for the period		8,763,849	4,083,804
Other comprehensive income:			
Derivative financial liabilities		(316,658)	581,959
Deferred tax charge on derivative financial liabilities		64,039	(114,446)
Currency translation differences arising from consolidation		696,095	896,053
Total other comprehensive income for the period		443,476	1,363,566
Total comprehensive income for the period		**9,207,325**	**5,447,370**
Earnings per share – Basic and Diluted	3	7.8p	3.9p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 2 July 2017

	Notes	As at 2 July 2017 £	As at 26 June 2016 £
ASSETS			
Non-current assets			
Intangible assets		2,338,041	1,856,800
Property, plant and equipment	4	31,397,582	26,111,111
Deferred tax asset		213,819	-
Derivative financial assets		-	85,075
Prepayments		7,250	7,461
		33,956,692	28,060,447
Current assets			
Derivative financial assets		306,526	439,239
Inventories		9,878,122	6,604,104
Trade and other receivables		6,020,954	5,534,835
Cash and cash equivalents		8,470,178	6,475,446
		24,675,780	19,053,624
Total assets		**58,632,472**	**47,114,071**
LIABILITIES			
Current liabilities			
Trade and other payables	5	16,632,717	16,334,191
Corporation tax payable		1,104,746	611,051
Derivative financial liabilities		137,480	-
Borrowings	6	3,371,444	432,544
		21,246,387	17,377,786
Non-current liabilities			
Other payables and accruals	5	1,934,057	1,485,090
Derivative financial liabilities		33,970	-
Deferred tax liability		-	78,989
Borrowings	6	3,504,544	6,643,212
Provisions		750,629	464,486
		6,223,200	8,671,777
Total liabilities		**27,469,587**	**26,049,563**
NET ASSETS		**31,162,885**	**21,064,508**
EQUITY			
Share capital		112,838	112,838
Share premium		11,749,487	11,749,487
Retained earnings		16,851,199	8,087,350
Translation reserve		1,049,221	353,126
Merger reserve		223,251	223,251
Capital redemption reserve		6,301	6,301
Other reserves		1,170,588	532,155
Total equity attributable to shareholders		**31,162,885**	**21,064,508**

CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 2 July 2017

	Notes	53 weeks ended 2 July 2017 £	52 weeks ended 26 June 2016 £
Profit before tax for the period		11,205,211	5,591,094
Adjusted by:			
Depreciation of property, plant and equipment	4	3,302,776	2,516,632
Amortisation of intangible assets		442,071	676,977
Net interest expense		722,635	774,778
Share-based payments		562,256	64,642
Loss on disposal of property, plant and equipment and intangible assets		111,880	128,874
Operating cash flows before movements in working capital		**16,346,829**	**9,752,997**
Increase in inventories		(3,438,589)	(2,294,585)
(Increase)/decrease in trade and other receivables		(485,906)	(309,174)
(Increase)/decrease in trade and other payables and provisions		905,022	1,516,121
Cash inflow generated from operations		**13,327,356**	**8,665,359**
Interest received		3,230	109
Income tax paid		(1,831,913)	(548,994)
Interest paid on:			
- finance leases and hire purchase loans		(14,306)	(30,020)
- bank loans and overdraft		(248,232)	(660,663)
- derivative financial instruments		(181,134)	-
Cash flows from operating activities		**11,055,001**	**7,425,791**
Purchase of property, plant and equipment		(7,505,141)	(5,625,076)
Proceeds from disposal of property, plant and equipment		14,210	200,000
Purchase of intangible assets		(893,296)	(760,224)
Acquisition of subsidiary		-	228,006
Cash flows used in investing activities		**(8,384,227)**	**(5,957,294)**
(Buy back)/issue of Chocolate bonds		(217,500)	(145,000)
Capital element of hire purchase and finance leases repaid		(610,465)	(378,462)
Repayment of bank loans		-	(654,021)
Cost of issue of new equity		-	(240,000)
Issue/(buy-back) of shares		-	12,000,130
Cash flows from/(used in) financing activities		**(827,965)**	**10,582,647**
Net change in cash and cash equivalents		1,842,809	12,051,144
Cash and cash equivalents at beginning of period		6,475,446	(5,697,390)
Foreign currency movements		151,923	121,692
Cash and cash equivalents at end of period		**8,470,178**	**6,475,446**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 2 July 2017

	Share capital £	Share Premium £	Retained earnings £	Translation reserve £	Merger reserve £	Capital redemption reserve £	Other reserves £	**Total £**
As at 28 June 2015	103,418	-	4,003,546	(542,927)	223,251	5,078	-	3,792,366
Capital redemption	(1,223)	-	-	-	-	1,223	-	-
Shares issued in the period	10,643	11,989,487	-	-	-	-	-	12,000,130
Costs of issue of equity shares	-	(240,000)	-	-	-	-	-	(240,000)
Share-based payments	-	-	-	-	-	-	64,642	64,642
Profit for the period	-	-	4,083,804	-	-	-	-	4,083,804
Other comprehensive income:								
Derivative financial instruments	-	-	-	-	-	-	581,959	581,959
Deferred tax charge on derivative financial instruments	-	-	-	-	-	-	(114,446)	(114,446)
Currency translation differences arising from consolidation	-	-	-	896,053	-	-	-	896,053
Equity as at 26 June 2016	**112,838**	**11,749,487**	**8,087,350**	**353,126**	**223,251**	**6,301**	**532,155**	**21,064,508**
Share-based payments	-	-	-	-	-	-	562,256	562,256
Deferred tax charge on share-based payments	-	-	-	-	-	-	328,796	328,796
Profit for the period	-	-	8,763,849	-	-	-	-	8,763,849
Other comprehensive income:								
Derivative financial instruments	-	-	-	-	-	-	(316,658)	(316,658)
Deferred tax charge on derivative financial instruments	-	-	-	-	-	-	64,039	64,039
Currency translation differences arising from consolidation	-	-	-	696,095	-	-	-	696,095
Equity as at 2 July 2017	**112,838**	**11,749,487**	**16,851,199**	**1,049,221**	**223,251**	**6,301**	**1,170,588**	**31,162,885**

NOTES TO THE PRELIMINARY FINANCIAL INFORMATION

1. Basis of preparation

The consolidated 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 financial information for the period ended 2 July 2017 and the period ended 26 June 2016 does not constitute the Group's statutory accounts for those periods.

Statutory accounts for the period ended 26 June 2016 have been delivered to the Registrar of Companies. The statutory accounts for the period ended 2 July 2017 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

The auditors' reports on the accounts for 2 July 2017 and 26 June 2016 were 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. Profit from operations

Profit from operations is arrived at after charging:

	53 weeks ended 2 July 2017 £	52 weeks ended 26 June 2016 £
Staff cost	28,462,455	24,835,020
Depreciation of property, plant and equipment	3,302,776	2,516,632
Amortisation of intangible assets	442,071	676,977
Loss on disposal of property, plant and equipment and intangible assets	111,880	128,874
Operating leases:		
- Property	9,260,982	8,613,438
- Plant and equipment	176,831	145,185
Exchange differences	249,567	48,725
Exceptional costs	-	2,642,177
Bad debt expense	58,782	126,967

Exceptional costs for the period ended 26 June 2016 relate solely to the acquisition of Hotel Chocolat Estates Limited and the listing on AIM.

3. Earnings per share

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

	53 weeks ended 2 July 2017 £	52 weeks ended 26 June 2016 £
Profit after tax for the period	**8,763,849**	**4,083,804**

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:

	53 weeks ended 2 July 2017 £	52 weeks ended 26 June 2016 £
Weighted average number of shares in issue used in the calculation of earnings per share (number) – Basic	112,837,828	103,411,610
Effect of dilutive potential shares:		
Share-based payments – Hotel Chocolat Group plc Save As You Earn Plan	145,187	-
Weighted average number of shares in issue used in the calculation of earnings per share (number) - Diluted	**112,983,015**	**103,411,610**
Earnings per share (pence) – Basic	7.8	3.9
Earnings per share (pence) – Diluted	7.8	3.9

As at 2 July 2017, the total number of potentially dilutive shares issued under the Hotel Chocolat Group plc Long-Term Incentive Plan was 3,692,000 (26 June 2016: 2,972,000). Due to the nature of the options granted under this scheme, they are considered contingently issuable shares and therefore have no dilutive effect.

4. Property, plant and equipment

	Freehold property £	Leasehold property £	Furniture & fittings, Equipment, Computer software & hardware £	Plant & machinery £	Total £
52 weeks ended 26 June 2016					
Cost:					
As at 29 June 2015	2,840,841	734,999	21,319,086	9,512,635	34,407,561
Acquisition on business combinations	8,244,800	-	505,625	-	8,750,425
Additions	35,009	-	2,342,334	5,191,022	7,568,365
Disposals	-	-	(1,425,415)	(41,069)	(1,466,484)
Translation differences	348,805	-	157,562	-	506,367
As at 26 June 2016	**11,469,455**	**734,999**	**22,899,192**	**14,662,588**	**49,766,234**
Accumulated depreciation:					
As at 29 June 2015	279,491	731,356	13,422,487	7,679,963	22,113,297
Depreciation charge	51,943	950	1,601,429	862,310	2,516,632
Disposal	-	-	(1,106,985)	(41,069)	(1,148,054)
Translation differences	77,178	-	96,070	-	173,248
As at 26 June 2016	**408,612**	**732,306**	**14,013,001**	**8,501,204**	**23,655,123**
Net book value					
As at 26 June 2016	**11,060,843**	**2,693**	**8,886,191**	**6,161,384**	**26,111,111**
53 weeks ended 2 July 2017					
Cost:					
As at 27 June 2016	11,469,455	734,999	22,899,192	14,662,588	49,766,234
Additions	540,751	-	5,877,065	1,662,108	8,079,924
Disposals	-	-	(447,863)	(5,345)	(453,208)
Translation differences	578,649	-	90,410	-	669,059
As at 2 July 2017	**12,588,855**	**734,999**	**28,418,804**	**16,319,351**	**58,062,009**
Accumulated depreciation:					
As at 27 June 2016	408,612	732,306	14,013,001	8,501,204	23,655,123
Depreciation charge	160,387	950	2,070,722	1,070,717	3,302,776
Disposal	-	-	(322,573)	(4,543)	(327,116)
Translation differences	(1,768)	-	35,412	-	33,644
As at 2 July 2017	**567,231**	**733,256**	**15,796,562**	**9,567,378**	**26,664,427**
Net book value					
As at 2 July 2017	**12,021,624**	**1,743**	**12,622,242**	**6,751,973**	**31,397,582**

As at 2 July 2017, the net book value of freehold property includes land of £2,867,081 (26 June 2016: £2,725,212), which is not depreciated. Included above are assets held under finance leases and hire purchase agreements. As at 2 July 2017, the net book value of such assets within plant & machinery is £359,172 (26 June 2016: £557,454) and within computer software & hardware is £516,626 (26 June 2016: £ nil).

5. Trade and other payables

	53 weeks ended 2 July 2017 £	52 weeks ended 26 June 2016 £
Current		
Trade payables	6,825,958	5,439,251
Other payables	2,988,090	3,416,370
Other taxes payable	1,303,810	810,114
Accruals	5,514,859	6,668,456
	16,632,717	**16,334,191**
Non-current		
Other payables and accruals	1,934,057	1,485,090
	1,934,057	**1,485,090**

6. Borrowings

	53 weeks ended 2 July 2017 £	52 weeks ended 26 June 2016 £
Current		
Finance and lease hire purchase liabilities	237,194	425,544
Chocolate bonds	3,208,500	102,000
	3,445,694	527,544
Unamortised costs of issue	(74,250)	(95,000)
Total current borrowings	**3,371,444**	**432,544**
Non-current		
Finance and lease hire purchase liabilities	218,544	35,462
Chocolate bonds	3,286,000	6,610,000
	3,504,544	6,645,462
Unamortised costs of issue	-	(2,250)
Total non-current borrowings	**3,504,544**	**6,643,212**
Total borrowings	**6,875,988**	**7,075,756**

Chocolate bonds pay a return either in boxes of luxury chocolates or by way of a Hotel Chocolat gift card. For those bonds with a return in the form of chocolate, the coupon is fixed by number of boxes. For bonds where there is a return paid by way of a Hotel Chocolat gift card, there is a fixed rate of interest. The interest as stated on issue of the bonds ranged between 6.7% and 7.3%.

Chocolate bonds are repayable subject to formal notice given six months prior to a redemption note. In order to redeem the bond, notice must be given by January and payment is made within the calendar year. For chocolate bonds issued in 2010 for which notice has been given, and for all chocolate bonds issued in 2014 the amount repayable is shown within current liabilities. All remaining bonds issued in 2010, for which notice has not yet been given are shown within non-current liabilities. Both bonds have matured and are unsecured.

On 27 April 2016, the Group negotiated a two-year, bilateral revolving credit facility (RCF). Interest was charged at 1.9% over base rate and a commitment fee of 0.8% was due on the available commitment not yet drawn down.
On 3 May 2017, the Group converted its bilateral revolving credit facility (RCF) into an overdraft facility. The bank overdraft is secured by a charge over the Groups assets and cross guarantees. The interest rate is charged at 1.25% over base rate.

The existing hire purchase and finance leases are secured by a charge over the related fixed assets and have incurred interest at an effective annual rate of 2.0%. A new finance lease was signed during the period.