29 September 2020

Hotel Chocolat Group plc
("Hotel Chocolat", the "Company" or the "Group")
Preliminary Results and Board Changes

Hotel Chocolat Group plc, a premium British chocolatier and multi-channel retailer, today announces its preliminary results for the 52 weeks ended 28 June 2020.

Financial highlights:

- Revenue up 3% to £136.3m (2019: £132.5m)
  - H1 up 14%, H2 down 14% due to COVID-19 pandemic
  - UK physical locations, which typically generate over 70% of H2 revenues, were closed for 12 weeks, including key Easter period
  - Revenue growth from digital channels accelerated, helping reduce the decline
  - Gross margins fell 500bps to 60.9%, of which 80bps was product mix, with the balance including costs related to inventory rehandling and clearance activity in the period March to June.
- Underlying EBITDA[1] of £9.4m (2019: £20.7m)[1]
- Profit before tax and exceptional costs[2] of £2.4m (2019: £14.1m), slightly ahead of expectations
- Statutory loss after tax of £6.5m (2019: £10.9m profit)
  - Net impact of IFRS16 (leases) of (£0.1m) before exceptional impairment
  - Exceptional non-cash impairment charges of £10.0m (2019: nil)
- Strong balance sheet position with net cash of £28.1m at 28 June, with £63.1m liquidity headroom
  - Supported by successful £22.0m gross equity raise in March 2020
- Diluted loss per share of (5.5p) (2019: 9.5p profit)

	52 weeks ended 28 June 2020 £000	**52 weeks ended 30 June 2019 £000**
Revenue	136,290	132,480
Underlying EBITDA[1] (pre IFRS 16)	**9,435**	**20,680**
Profit before tax and exceptional costs[2]	**2,427**	**14,051**
Exceptional costs[2]	9,968	Nil
Profit/(Loss) after tax	(6,468)	10,929
Basic Earnings/(Loss) per share	(5.5p)	9.5p

[1] Underlying EBITDA is pre-IFRS16 and excludes share-based payment charges and related tax, and exceptional non-cash impairment charges
[2] Exceptional costs are non-cash impairment charges

Operational Highlights:

- Increased multichannel flexibility, capacity, and resilience:
  - With physical retail closing two weeks before Easter, rapid adaptations were made to recall inventory to the Distribution Centre (DC) and safely grow online and partner sales.
  - This experience has informed plans for FY21 and beyond, including fit-out of the new enlarged DC, providing 100% more supply chain capacity, and increased multichannel flexibility.
- Progress on strategic initiatives:
  - 1.3m active VIP loyalty members (up 50% year-on-year), giving ability to communicate with retail buyers who are increasingly shopping across channels, via new VIP app and improved website.
  - Japan joint venture progressing well, now trading in 8 locations (2019: 2)
  - USA experiencing strong digital growth, new e.commerce partnership signed with THG Ingenuity
  - Strong FY21 pipeline for innovations, including new product launches such as Velvetiser lattes, vegan gift-box assortments and new subscriptions including the Wonka-esque Inventing Room box.

Current Trading:

- Business well positioned to navigate existing and potential COVID-19 challenges
- Group trading is in line with management expectations for the first 12 weeks of FY21, with digital demand up over 150% on the comparable period in the prior year
- Formalised trading agreement with Rabot 1745 joint venture, for the purchases of its beauty products
- Strong financial position, with net cash of £16.5m and liquidity headroom of £51.5m as at 20 September

Board Changes:

The Company also announces that, reflecting the Group's commitment to strong corporate governance, in order to enhance the balance of independent non-executive directors and executive directors on the Board, Chief Operating Officer, Matt Margereson, has today stepped down as a director of the Company. Matt remains a key member of the Company's executive management team.

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

"The events of 2020 have challenged all of us, but also brought out the best in us, ethically, competitively, and professionally, making us better equipped to face the future.

"The challenges of COVID-19 have pushed us to accelerate many of our existing plans and strategic initiatives, helping to; strengthen our financial position, improve our multichannel capability, deepen customer engagement and loyalty, and accelerate the rate of product innovation, whilst continuing to make good progress in our two new and sizeable markets of the USA and Japan.

"Whilst uncertainty will continue for all of us in the coming year, our pipeline of potential growth opportunities has never been stronger. We are working hard to anticipate potential trading scenarios for the year ahead and are planning prudently to be ready to adapt quickly and effectively as the situation evolves. To achieve this, we have invested in our ability to increase production and expand our supply chain capacity as well as strengthen the leadership team to ensure a continued focus on product innovation, e-commerce, supply chain and sustainability.

"I am confident that the strategic progress we have achieved over the past year will build a stronger business in the medium-term with greater growth, profitability and brand appeal.

"We have today announced that our Chief Operating Officer, Matt Margereson, is moving off the PLC Board in order that we can achieve a stronger Non-Executive balance. As he has done since 2015, Matt will continue to lead, direct and steer our manufacturing and distribution operations and the implementation of the significant investments we are making in our production and supply capacity.

"Finally, I would like to thank our colleagues for their hard work during the year. I am incredibly proud of how Hotel Chocolat has adapted to the disruption caused by COVID-19 and I would like to also thank our customers for their continued loyalty, and our partners for their collaboration."

Trading Protocol Agreement with Rabot 1745

Hotel Chocolat Limited ("HCL"), a subsidiary of the Company, has entered into an agreement with Rabot 1745 Limited ("Rabot" and together with HCL the "Parties") to formalise the trading arrangements between the Parties (the "Trading Protocol Agreement").

Rabot is a joint venture between the Company and Andrew Gerrie (the Non-Executive Chairman of Hotel Chocolat) who own 47% and 45% respectively with the balance held by non-related parties. Rabot creates, manufactures, and sells a range of cosmetics, perfumery and toiletries products to wholesale, retail, and online customers. The Company routinely purchases products from Rabot for resale. Until now, the Company has been purchasing small quantities of products from Rabot. During the year ended June 2020, the Group purchased goods from Rabot with a value of £376,000.

As the Company looks to further increase its beauty range, it has decided to enter into a formal agreement with Rabot, which sets out the terms of future purchases, including pricing and no requirement for minimum volumes. Pursuant to the AIM Rules for Companies (the "AIM Rules"), the Trading Protocol Agreement is considered a related party transaction and a substantial transaction and is disclosable pursuant to Rule 12 and Rule 13 of the AIM Rules. The Directors of the Company, excluding Andrew Gerrie, who is considered a related party to Rabot, consider, having consulted with the Company's nominated adviser, that the terms of the Trading Protocol Agreement to be fair and reasonable insofar as the Company's shareholders are concerned.

This announcement is released by Hotel Chocolat plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Matt Pritchard, Chief Financial Officer.

For further information:

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Notes to Editors:

Hotel Chocolat is a premium British chocolatier with a strong and distinct brand. 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 130 locations in the UK and abroad. The Group has one restaurant in the UK and a cacao estate and hotel in Saint Lucia. The Group was admitted to trading on AIM in 2016.

CHAIRMAN'S STATEMENT

OVERVIEW

Having delivered a strong first-half performance, the second half of the year was materially disrupted by COVID-19 and the related restrictions, which led to the closing of all UK retail locations for 12 weeks, and the shutdown of our factory for eight weeks. The business-wide response to the challenges posed was impressive. Rapid adaptations were made to ensure the safety of all colleagues and customers. Reaction to the shift in customer demand to online also improved the flexibility and resilience of the multi-channel business ongoing. The Group continues to have many opportunities and continues to take a disciplined approach to deliver long-term growth and returns.

RESULTS

Group Revenue grew by 3 percent to £136m. In the first half, sales of £92m increased by 14%. Second half sales of £45m declined by 14%. Group profit before tax (PBT) and before exceptional costs was £2.4m compared to £14.1m in FY19. In the first half, PBT before exceptionals was £15m, £1.1m higher year-on-year, whilst in H2 a loss of (£12.6m) compares to a profit of £0.2m in FY19. The H2 loss arose due to the combined impact of lower sales, and additional costs of sales which reduced gross margins.

STRATEGY

The Group has been pursuing a number of growth opportunities. Whilst UK physical retail growth has been adversely affected, the Groups multichannel and international strategy will help mitigate the ongoing impacts on customer behaviour arising from COVID-19. The Board remains committed to physical locations and anticipates that in future the retail property market will adjust to support the ongoing viability of locations.
With 67% of our leases having a break or end in the next 24 months, and another 22% in the following 24 months we have the flexibility to adapt. There is significant growth headroom in the UK, which is being pursued through a combination of innovation and multichannel investment. The Brand has been well received in the Group's two newer markets in the USA and Japan, where the addressable market size is significantly larger than the UK.

PEOPLE

The Group continues to benefit from a strong founder-led management team. A new governance structure has been implemented, comprising the PLC Board and a new Executive committee. On behalf of the Board I would like to thank the whole Hotel Chocolat team for demonstrating great adaptability, strong teamwork, and unwavering commitment, for which everyone should be proud.

DIVIDEND

In early March, in anticipation of a potential UK lockdown causing disruption to trade at Easter, the Group raised £22m of new equity to support continued investment in the growth strategy. Having raised additional equity, the Board decided to pause the dividend in order to re-invest and preserve capital. A progressive dividend policy will be reinstated when conditions permit.

OUTLOOK

In each market, customers have shown their loyalty to the brand by migrating to new channels when physical locations were closed. The vast majority of physical locations have re-opened but are in aggregate currently trading lower year-on-year. Other channels continue to grow at an accelerated rate and overall trading is in line with management expectations. The Group continues to focus on the long-term and is making careful investments to maximise the medium and long-term opportunity.

ANDREW GERRIE
Non-executive Chairman

CHIEF EXECUTIVE'S STATEMENT

I am extremely proud of how the Hotel Chocolat team has responded in such a challenging period. In response to the COVID-19 pandemic, the team acted swiftly, to firstly ensure the safety of colleagues, customers and the community, then adapt the business to continue to serve our customers, whilst also taking prompt actions to strengthen the Group's financial resilience.

All of our UK retail locations were closed for 12 weeks including the busy Easter period. The adaptions we made at pace have given us the confidence to accelerate our existing multichannel strategy. Customers have shown great loyalty to the brand and we will continue to excite them with new products, engage with them more via VIP.ME loyalty, and will keep investing in additional operational capacity to serve the demand across all channels.

Revenue grew by 3%, +14% in the first half (H1) and -14% in the second half (H2). In H1, Profit Before Tax and exceptional costs increased by £1.1m to £15m. H2 loss before tax and exceptional costs was (£12.6m) compared to a profit of £0.2m in H2 FY19. Physical locations typically generate 70% of H2 revenues, an agile response meant that despite 12 weeks of closures including the busy Easter period, we were able to service much of the customer demand online and via partners. This reduced the loss of sales in H2 to just -14%. However, these actions did give rise to additional short-term supply costs which reduced margins significantly in H2.

SALES REVIEW

Historically we have reported our UK sales by channel. We are now of the view that this classification has become much less relevant, as our customers are increasingly shopping across multiple channels which is, of course, a key business aim.

In FY19 we reported that 67% of sales came from physical UK locations. In the first 12 weeks of FY21 (29 June to 20 September) approximately 56% of sales are coming from physical, and digital sales are up by over 150% year on year. Our focus is always on the customer's relationship with the brand, maintaining an agnostic view on which channels should attract most investment.

Our VIP.ME programme is at the centre of our relationship and the investments we made in people and technology over the last 18 months are key to driving our future performance. The VIP.ME customer base has grown by 50% YoY. The quality of our content and benefits, coupled with the change in shopping patterns following COVID-19, has resulted in higher spend per transaction and a greater propensity to shop across all our channels.

GIFTS

We have seen a huge increase in demand for our delivered gift services and we aim to keep the momentum building with our dedicated VIP.ME-Gifter app, launching this Autumn, which aims to deliver the slickest gift-sending experience in the market.

A real focus on gift innovation has led to numerous new products; an extended biscuit range, new and more luxurious bottles for our award-winning alcohol range, a revamped look for our epic top-of-the-range Chocolatier's Table selections, and our first dedicated range for Japan for Valentine's Day 2021, which applies all we have learned about Japanese gifting preferences.

IN-HOME, INCLUDING SUBSCRIPTIONS

The Velvetiser system for hot chocolate has revolutionised luxury drinks in the home since we launched it two years ago. Customer reviews have been prolific and very enthusiastic, and we now have a library of flavours, with many more scheduled for launch this year. A new range of lattes for the Velvetiser will hit the market pre Christmas. The Velvetiser Owners Club offers low-friction repeat supplies of chocolate refills, with the inside track on upcoming drink recipe launches shared amongst a community of like-minded enthusiasts for real chocolate drinks.

We have revamped our Chocolate Tasting subscription model with new technology and new concepts, and we now have 4 propositions live:

1 The Inventing Room: a limited-membership experience with privileged access to taste alongside us all of our potential new ideas, with voting rights on whether they should be launched.

2 Curated Collections: based on what we know you like, a 'surprise and delight' changing selection to match your preferences.

3 Rabot Coterie: for our most ethically-minded customers and a way to support Saint Lucian Cacao growing as well as receive an annual box of exclusive cacao-themed products and geo-mapped cacao trees planted with your name on our farm.
4 Recurring purchase/Subscribe to Save: the simplest way for your household to regularly receive your precise favourites.

LEISURE / PHYSICAL LOCATIONS

We remain positive about the unparalleled leisure experience a physical Hotel Chocolat can deliver for our multi-channel direct-to-consumer model. The ability of these locations to recruit new customers into our VIP.ME database is highly effective when ranked against other direct digital recruitment methods. A physical Hotel Chocolat satisfies customer desires that cannot be met online: warm and knowledgeable human interaction, the joy of immediate impulse purchasing, a nourishing hot chocolat or Ice Cream of the Gods, the leisure experience of stepping into our multi-sensory world, a chance to taste our latest creations and to come back after-hours for a ticketed tasting event.

In the UK we have temporarily closed five 'commuter' locations due to much reduced footfall. All other locations are open and, in line with our expectations, are currently trading lower year on year in aggregate. Whilst a significant proportion of customer demand has moved online, impulse leisure sales are currently reduced due to lower footfall, particularly in London. We are in active dialogue with our landlords to find collaborative solutions to the ongoing disruption. With 67% of leases reaching a break or end within two years, and 89% within four years, we have significant flexibility to ensure property costs reflect customer behaviour and footfall levels. In the year we opened 17 locations (11 in the UK, including two relocations, two in the USA, and four in Japan with our joint venture partner). In the UK and USA we have temporarily paused further openings pending likely adjustments to the property market, but we envisage new opportunities in 2021 and beyond. In Japan the property market already sets rents as a percentage of sales, giving us the confidence to continue to invest and support our joint venture partner in opening new locations to increase the reach and awareness of the brand.

In Japan, chocolate gifting is more seasonal than in the UK, with over 70% of gift sales happening in H2. This has led us to upweight the counter-seasonal elements of the lifestyle brand proposition; including extending and enhancing the food and beverage offer, and leveraging Rabot 1745, the joint venture beauty brand inspired by our Saint Lucian cacao estate. These requirements for the Japanese market are accelerating the development of our physical proposition for all markets. The recent openings in Omotesando, Shin Urayasu, Marunouchi and Aichi Togo are the closest yet to bringing our vision of an experiential cacao-lifestyle brand to life in physical form. This model will be equally as relevant and appealing in the UK and the USA.

Our international operations in the USA and Japan made good progress in the first half of the year. The goal is to demonstrate that at each sales-channel level we can generate an attractive return on the invested capital, leading to a multi-channel roll-out that can generate businesses of scale. The disruption from COVID-19 in H2 has delayed our achievement of the physical site-level targets, but we are confident the brand appeals to customers, as evidenced by the dramatic acceleration of online growth in both markets when locations were temporarily closed. We see many ways to further improve our customer proposition and reduce operating costs to achieve our financial targets.
In July our Scandinavian franchise was closed due to the impact of the pandemic on their business. Our intention is to focus our resources on the development of the two much larger markets in the USA & Japan.

PARTNERS

We carefully select the distribution partners we work with, creating a 'capsule collection' tailored to the customer needs of each wholesale partner. Each partner adds something specific to our brand accessibility and customer reach. We are always conscious that our biggest asset is our brand, and so in our partner strategies we are careful to maintain the customer experience. As the brand foundation and an obsessed specialist, Hotel Chocolat's owned channels will always remain the only place to experience the full depth and breadth of the proposition. Our recent investment in an enlarged distribution centre will improve cost efficiency, availability, and service levels to our partners.

SAINT LUCIA

Our sustainable cacao agro-toursim concept in Saint Lucia is central to the brand ethos. By growing cacao on our own organic estate, we better understand the needs and challenges of our other farmers, both on the island and worldwide. In April we appointed Jo Brett as CEO of Hotel Chocolat Saint Lucia. Jo was formerly President of Pret a Manger USA until 2019, having previously held senior positions at Pret UK. She will play a key role in expanding and enhancing the hotel, opening a new 'tree-to-bar' educational visitor experience and developing the Patrons of Rabot subscription and grower support programme. Jo is passionately committed to deepening the connection between our team in Saint Lucia and our colleagues and customers around the world, by bringing to life our passion for cacao and our role in adding value for cacao growing communities.

OPERATIONAL REVIEW

The key product ranges all traded strongly in H1, delivering sales growth of 14%. Gross margins in H1 reduced by 80 basis points as a result of sales mix shifting to slightly lower gross margin channels and an increase in sales of products produced by third parties. Overhead costs (pre-IFRS16) increased by 15% in H1 as we made investments in people and systems to deliver future growth, including strengthening the digital, marketing and trading teams to enable more and faster product innovation in service of growth in the UK and Internationally. Profit before tax and exceptional costs increased by £1.1m in the first half.

In the second half, the impact from COVID-19 was significant, reducing H2 sales by 14%. The team safely collected Easter inventory from the closed retail estate and re-packaged into pre-selected bundles for online sale, allowing us to safely increase online output in response to a huge rise in online demand. This activity and additional clearance reductions reduced gross margins in H2. As a result, full year gross margins were 5 percentage points lower at 61%.

The investments we made in people and systems in e-commerce, innovation, and multichannel supply chain, made us more resilient during the challenges of H2 as well as setting us up well for the accelerated opportunities, and for further innovation in future.

In March, in anticipation of the potential disruption from COVID-19, the Board concluded that it was in the best interests of the Group to continue to pursue the growth strategy, and raised £22m of new equity in March to support ongoing investment for growth.

MANUFACTURING

In the year we continued to invest in upgrading our manufacturing infrastructure in preparation for the installation of a fourth production line at our factory in Cambridgeshire, which will be operational in 2022. The factory was closed for eight weeks in spring whilst we made adjustments for COVID-secure working. The factory is now operating at over 90% of previous line output rates per hour and we have added a third production shift, which increases total site capacity, and improves asset utilisation.

SUPPLY

In June we began the fit out of a 10,000 square metre extension to our Distribution Centre in Cambridge. This investment doubles our storage and despatch capacity ahead of the winter 2020 sales peak. We have designed a layout that enables significant channel fulfilment flexibility at short notice, enabling us to shift smoothly between physical, digital and partners.

OUTLOOK

In response to the evolving customer landscape we have accelerated many of our existing multichannel growth plans and our rate of product innovation, and as a result intend to make faster progress towards our goal of becoming the leading international direct-to-consumer premium chocolate brand.

The strong culture within the Hotel Chocolat team has meant that we acted with determination, ethics and imagination when put under pressure and we are now slingshotting into a new trajectory. I would like to extend my thanks to every member of the Hotel Chocolat family for making this happen.

We are well capitalised and are planning prudently in order to improve our resilience against further near-term disruption, whilst also enabling clear-sighted investment for our future. In addition to growth opportunities in our home market we are encouraged by progress in the USA and Japan, two of the world's largest gifting markets.

ANGUS THIRLWELL

Co-founder and Chief Executive Officer

FINANCIAL REVIEW

£m	FY20 post IFRS16	IFRS16	FY20 pre IFRS16	FY19
Revenue	**136.3**		**136.3**	**132.5**
Gross profit	83.0		83.0	87.3
Operating expenses	61.5	12.1	73.6	66.7
Underlying EBITDA	**21.6**	**12.1**	**9.4**	**20.7**
Share-based payments	0.4		0.4	0.9
Depreciation & amortisation	17.3	11.0	6.4	5.5
(Profit)/loss on disposal	(0.1)	(0.1)	0	0
Operating profit before exceptional costs	**3.9**	**1.3**	**2.7**	**14.3**
Finance income	0.2		0.2	0.1
Finance expense	1.7	1.4	0.3	0.3
Profit before tax and exceptional costs	**2.4**	**(0.1)**	**2.5**	**14.1**
Reconciliation to reported results				
Operating profit before exceptional costs	**3.9**			**14.3**
Exceptional non-cash impairment costs	10.0			-
Operating (Loss)/Profit	**(6.0)**			**14.3**
Net finance costs	1.5			(0.2)
Reported Profit before tax	(7.5)			14.1
Tax paid /(credit)	(1.1)			3.1
Profit/ (Loss) for the period	**(6.5)**			**10.9**

REVENUE

Reported revenue for the 52 weeks ended 28 June 2020 was £136.3m. Revenue increased by 3% compared to the 52 weeks ended 30 June 2019. H1 Group revenue of £91.7m was an increase of 14% and H2 revenue of £44.6m was a decline of 14%. With all physical locations closed for 12 weeks including the busy Easter period, the H2 decline of 14% reflects a significant proportion of sales migrating from physical locations to online.

GROSS MARGIN

Gross profit as a percent of sales reduced by 500 basis points from 65.9% to 60.9%. In H1 gross margins reduced by 0.8% due to a shift in channel and product mix. In H2 significant additional unplanned costs were incurred, collecting Easter inventory from over 100 locations, re-stocking the DC and pre-bundling the stock to maximise delivery capacity whilst working safely. The retail closures also resulted in additional clearance reductions upon re-opening. As a result, H2 margins of 52.5% were 13.7% percentage points lower than FY19 margins of 66.2%.

OPERATING EXPENSES

In the eight months prior to the start of the COVID-19 impact, overheads (pre-IFRS16) grew by 10%, broadly in line with the sales growth rate. The increase in costs was driven by investments in e-commerce, product innovation and supply chain, which are intended to support the continued growth of the multichannel business in the years ahead.

In response to COVID-19 the Board initiated a review of opportunities to reduce costs, ensuring that discretionary and variable expenditures were reduced, whilst continuing to invest in those activities that improve the resilience and short and long-term prospects for the Group, including making improvements to the brand's online offer and enhancing supply chain flexibility and capacity. As a result of these investments operating expenses increased at a faster rate than sales growth.

UNDERLYING EBITDA

Underlying EBITDA is a non-GAAP metric but is included for comparability to prior years. On a pre-IFRS16 basis and excluding impairment charges, underlying EBITDA was £9.4m, a decline of £11.2m. Sales volume growth generated an additional £2.5m EBITDA YoY, the margin decline in H2 primarily due to COVID impacts resulted in £6.8m lower gross margins and overheads increased by 10% or £6.9m.

IFRS16 LEASES

FY20 is the first year where IFRS16 is applied to leases. Rent is removed from the P&L, a right of use asset and lease liability are recognised on the balance sheet. Rent charges of £12.1m are removed from the P&L, replaced by additional depreciation charges of £11.0m, and £1.4m increase in lease finance expense. The impact of the application of IFRS16 on reported profit is (£0.1m). Subsequently the right of use assets have been impaired by £4.0m as covered below. The Board makes business decisions based on current and future expected cash flows, so the adoption of IFRS 16 has no impact on Group strategy or investment decisions.

FINANCE INCOME AND EXPENSE

Finance income of £0.2m comprises bank deposit interest, unrealised derivative interest, and interest from the loans made to the Japan joint venture. Finance expense of £1.7m comprises £0.1m of bank interest, £0.2m of realised derivative interest, and £1.4m interest charge relating to the application of IFRS16 to leases.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation increased by £11.9m. The new 'right of use' asset of £50.6m, created by application of IFRS16 to store leases, generated £11.0m of depreciation. Capital investment additions of £14.1m included new locations, IT systems and operating capacity.

PROFIT BEFORE TAX AND EXCEPTIONAL COSTS

Profit before tax and exceptional costs was £2.4m, a reduction of £11.6m as a result of the lower sales and reduction in gross margins in the second half of the year.

ALTERNATIVE PERFORMANCE MEASURES

The Group uses the following Alternative Performance Measures (APMs) in reporting financial information. The Group believes that these APMs enhance comparability between periods and provide a more meaningful understanding of performance:

- Underlying EBITDA is pre IFRS16 and excludes share-based payment charges, related tax and non-cash impairment charges.
- Profit/(loss) before tax and exceptional costs excludes non-cash impairment charges.

EXCEPTIONAL COSTS OF ASSET IMPAIRMENT

In the light of current disruption, the Board have considered the potential requirement to impair the carrying value of assets. Consideration is given to the estimated value in use and probable open market value. This review has given rise to a non-cash impairment charge of £10m, comprising three main elements:

1) **Retail leases:** For assets with relatively short lives, such as retail leases, which average three years until the next break event, the forecasted reduced sales performance gives rise to a non-cash impairment of £6.6m affecting 30 locations.

2) **Goodwill:** £0.7m of goodwill relating to the acquisition of Hotel Chocolat Corporate Ltd in the year to June 2009 has been impaired as a result of a change in business strategy whereby corporate gifting sales will be now incorporated within the online platform.

3) **Saint Lucia:** As the 'spiritual home' of the Hotel Chocolat brand, the cacao estate hotel in Saint Lucia is pivotal to the Group and delivers many intangible benefits including customer marketing, employee engagement, and as a source of education on sustainable cacao growing. The Board are required to consider whether at the balance sheet date the carrying value of the assets is supported by either the value in use assuming no future capex investment, or by the open market value of the assets as assessed with the support of appropriately qualified external valuation experts. The disruption caused by COVID-19 has reduced the short-term open market value of such assets, and as a result the carrying value has been

impaired by £2.7m. The Board is fully committed to continuing investment in Saint Lucia, including extending the hotel and completing a much enlarged educational 'tree to bar' cacao farm visitor attraction.

LOSS BEFORE TAX

Loss before tax, after non-cash impairment charges of £10m, was (£7.5m), a reduction of £21.6m year-on-year.

TAX

A tax credit of £1.1m arises as a result of the loss before tax. This credit arises as a result of the loss on ordinary operations and permanent timing differences.

EARNINGS PER SHARE AND DIVIDENDS

The Group reported a diluted loss per share of (5.5)p, compared to FY19 profit of 9.5p. The weighted average number of shares in issue was 118m (FY19: 113m). Having raised £22m of new equity in March to fund growth investment the Board will not be proposing a dividend (FY19: 1.8p). The Board anticipates that a progressive dividend policy will be reinstated when conditions permit.

CASH AND WORKING CAPITAL

The Group had £28.1m of cash at period end. Inventories of £13.9m represent approximately 12 weeks' forward cover. The Group has access to a Revolving Credit Facility (RCF) with Lloyds bank of £35m until December 2020, and £25m until December 2021. The RCF will be used to finance working capital. As at 20 September 2020 the Group had cash balances of £16.5m, giving headroom of £51.5m including its £35m RCF facility.

EQUITY PLACING

On 20 March 2020 the Company announced the completion of an equity placing, conducted by way of an accelerated bookbuild, to provide the Company with additional liquidity in response to the impact of COVID-19 and to fund ongoing capital investments in support of the growth strategy.

A total of 9,777,777 new ordinary shares of 0.1 pence were placed at a price of 225 pence per share raising £22m gross proceeds. Following admission of the placing shares and other share issues to satisfy employee share plan awards, the Company's issued and fully paid share capital consisted of 125,500,611 ordinary shares at the period end.

GOING CONCERN

Considering the significant uncertainties faced by the retail sector, the Directors have undertaken a comprehensive assessment to consider the Group's ability to trade as a going concern over the following 12 months.

The Directors have considered the Group's financial position and its committed borrowing facilities as well as alternative sources of financing (including sale & leaseback of freehold property and asset financing) that might reasonably be assumed to be available, as well as the Group's financial commitments, noting the relatively short retail lease commitments of less than three years on average, and the Group's ability to delay the timing of planned capital expenditure.

More broadly, the Directors have considered the strength of the Hotel Chocolat brand, demonstrated by 1.3m active VIP.ME loyalty users and an increase in multi-channel shopping behaviour, together with the flexibility and agility of the Group's business model, noting that, since the end of the UK lockdown, just under half of the Group's sales are generated via online, subscriptions and digital partners.

The Directors have noted the support from the Group's shareholders and bank, evidenced in the successful equity placing immediately prior to the UK lockdown and the subsequent financing facility extension.

In making their assessment the Directors have reviewed management's forecasts based on the following trading scenarios:

BASE PLAN SCENARIO

The base plan assumes a year on year reduction in Retail sales in H1 of FY21 due to lower footfall, but with a strong level of transition to Online and continued delivery of growth plans in Wholesale. The planned transfer of sales from Retail to Online represents an improvement on the achievements at Easter given that the Group can build upon the lessons learned, and the capital investments made since March to increase capacity. For the calendar year 2021, the base plan assumes Group sales will recover to pre-COVID levels.

DOWNSIDE SCENARIO

The downside scenario models the effect of the UK returning to a lockdown for a significant period in the run-up to the Christmas sales peak. It assumes half of the sales lost from closed Retail locations transfer to Online, which is broadly in line with results at Easter 2020, this would result in combined sales from retail and online declining by 18% on H1 FY20. In the second half, physical retail sales are assumed at 50% of that in the base plan with half of the decline transferring to online.

The Group has a £35m CLBILs Revolving Credit facility in place with Lloyds Bank until December 2020, which then reduces to £25m CLBILS Revolving Credit Facility through to December 2021. It is the Directors' intention to review funding requirements for the period from June 2021 onwards in the Spring of 2021, following Christmas trade and with more knowledge on the possible longer-term impacts of COVID-19 on the retail sector. However, based on the two scenarios modelled, the Group and the Company will be able to operate within the level of its current facilities and associated covenants.

Taking the above considerations into account, the Directors have a reasonable expectation that the Group and the Company has adequate resources to continue in operational existence throughout the forthcoming 12-month period. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated and parent company financial statements.

MATT PRITCHARD

Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 28 June 2020

	Notes	52 weeks ended 28 June 2020 £000	52 weeks ended 30 June 2019 £000
Revenue		136,290	132,480
Cost of Sales		(53,256)	(45,140)
Gross profit		83,034	87,340
Administrative expenses	3	(79,089)	(73,029)
Exceptional items	2	(9,968)	-
(Loss)/profit from operations		(6,023)	14,311
Finance income	4	159	69
Finance expenses	4	(1,668)	(295)
Share of joint venture post-tax results (loss)/profit		(9)	(34)
(Loss)/profit before tax		(7,541)	14,051
Tax credit/(expense)		1,073	(3,122)
(Loss)/profit for the period		(6,468)	10,929
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
Derivative financial instruments		1,276	72
Deferred tax charge on derivative financial instruments		(221)	16
Currency translation differences arising from consolidation		326	373
Other comprehensive income, net of tax		1,381	461
Total comprehensive (loss)/income for the period		(5,087)	11,390
Earnings per share – Basic	5	-5.5p	9.7p
Earnings per share – Diluted	5	-5.5p	9.5p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 June 2020

	Notes	As at 28 June 2020 £000	As at 30 June 2019 £000
ASSETS			
Non-current assets			
Intangible assets	6	2,897	2,911
Property, plant and equipment	6	41,868	40,115
Right of use asset	6	39,848	-
Deferred tax asset		597	623
Derivative financial assets		92	-
Prepayments		-	18
Loan to Hotel Chocolat KK		5,705	2,488
Investment in JV		-	9
		91,007	46,164
Current assets			
Derivative financial assets		1,100	81
Inventories		13,916	12,810
Trade and other receivables		6,942	9,360
Corporation tax receivable		1,520	-
Cash and cash equivalents		28,053	5,778
		51,531	28,029
Total assets		**142,538**	**74,193**
LIABILITIES			
Current liabilities			
Trade and other payables	8	27,251	19,528
Lease liabilities		10,993	-
Corporation tax payable		-	1,607
Derivative financial liabilities		27	1
Borrowings		-	17
		38,271	21,153
Non-current liabilities			
Other payables and accruals	8	31	2,757
Lease liabilities		35,960	-
Derivative financial liabilities		327	9
Provisions		959	944
		37,277	3,710
Total liabilities		**75,548**	**24,863**
NET ASSETS		**66,990**	**49,330**
EQUITY			
Share capital		126	113
Share premium		37,627	11,750
Retained earnings		24,279	33,359
Translation reserve		1,579	1,253
Merger reserve		223	223
Capital redemption reserve		6	6
Other reserves		3,150	2,626
Total equity attributable to shareholders		**66,990**	**49,330**

The financial statements of Hotel Chocolat Group plc, registered number 08612206 were approved by the Board of Directors and authorised for issue on 28 September 2020. They were signed on its behalf by:

Matt Pritchard

Chief Financial Officer

28 September 2020

CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 28 June 2020

	Notes	52 weeks ended 28 June 2020 £000	52 weeks ended 30 June 2019 £000
(Loss)/profit before tax for the period		(7,541)	14,051
Adjusted by:			
Depreciation of property, plant and equipment	6	5,781	4,941
Depreciation of Right of use asset	6	10,953	-
Impairment loss	2	9,968	-
Amortisation of intangible assets		598	513
Gain on lease modification		(80)	-
Net interest expense	3	1,509	226
Share-based payments		362	246
Share of joint venture loss		9	34
(Profit)/loss on disposal of property, plant, and equipment		(69)	44
Operating cash flows before movements in working capital		**21,490**	**20,054**
(Increase)/decrease in trade and other receivables		1,095	(259)
(Increase)/decrease in inventories		(1,106)	(1,891)
Increase/(decrease) in trade and other payables and provisions		5,589	4,077
Cash inflow generated from operations		**27,068**	**21,981**
Interest received		29	41
Income tax paid		(2,541)	(2,820)
Interest paid on:			
- bank loans and overdraft		(108)	(110)
- derivative financial liabilities		(223)	(180)
- IFRS 16 lease liabilities		(1,378)	-
Cash flows from operating activities		**22,847**	**18,912**
Purchase of property, plant and equipment	6	(12,740)	(8,296)
Proceeds from disposal of property, plant and equipment		79	10
Purchase of intangible assets		(1,473)	(581)
Loan to joint venture		(3,114)	(2,460)
Acquisition of joint venture		-	(7)
Cash flows used in investing activities		**(17,248)**	**(11,334)**
Dividends paid		(1,386)	(1,918)
Issue of ordinary shares		26,316	1
Costs associated to issue of ordinary shares		(426)	-
Capital element of hire purchase and finance leases repaid		-	(202)
Payment of IFRS16 lease liabilities		(7,777)	-
Cash flows generated from/(used in) financing activities		**16,727**	**(2,119)**
Net change in cash and cash equivalents		22,326	5,459
Cash and cash equivalents at beginning of period		5,778	236
Foreign currency movements		(51)	83
Cash and cash equivalents at end of period		**28,053**	**5,778**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 28 June 2020

	Share capital £000	Share Premium £000	Retained earnings £000	Translation reserve £000	Merger reserve £000	Capital redemption reserve £000	Other reserves £000	Total £000
As at 2 July 2018	113	11,749	24,348	880	223	6	2,291	39,610
Issue of share capital	-	1		-	-	-	-	1
Profit for the period	-	-	10,929	-	-	-	-	10,929
Dividends	-	-	(1,918)	-	-	-	-	(1,918)
Share-based payments	-	-	-	-	-	-	246	246
Deferred tax charge on share-based payments	-	-	-	-	-	-	-	-
Other comprehensive income:								
Derivative financial instruments	-	-	-	-	-	-	72	72
Deferred tax charge on derivative financial instruments	-	-	-	-	-	-	17	17
Currency translation differences arising from consolidation	-	-	-	373	-	-	-	373
Equity as at 30 June 2019	**113**	**11,750**	**33,359**	**1,253**	**223**	**6**	**2,626**	**49,330**
Adjustment on application of IFRS 16	-	-	(1,226)	-	-	-	-	(1,226)
Equity as at 1 July 2020	**113**	**11,750**	**32,133**	**1,253**	**223**	**6**	**2,626**	**48,104**
Issue of share capital	13	26,303	-	-	-	-	-	26,316
Costs associated to issue of share capital	-	(426)	-	-	-	-	-	(426)
Profit for the period	-	-	(6,468)	-	-	-	-	(6,468)
Dividends	-	-	(1,386)	-	-	-	-	(1,386)
Share-based payments	-	-	-	-	-	-	362	362
Deferred tax charge on share-based payments	-	-	-	-	-	-	(699)	(699)
Reclassified to cost of sales and inventory	-	-	-	-	-	-	(194)	(194)
Other comprehensive income:								
Fair value changes in the period	-	-	-	-	-	-	1,276	1,276
Deferred tax charge on derivative financial instruments	-	-	-	-	-	-	(221)	(221)
Currency translation differences arising from consolidation	-	-	-	326	-	-	-	326
Equity as at 28 June 2020	**126**	**37,627**	**24,279**	**1,579**	**223**	**6**	**3,150**	**66,990**

Notes to the preliminary information

1. Basis of preparation

The financial information for the period ended 28 June 2020 and the period ended 30 June 2019 does not constitute the company's statutory accounts for those years. Statutory accounts for the period ended 30 June 2019 have been delivered to the Registrar of Companies. The statutory accounts for the period ended 28 June 2020 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors' reports on the accounts for 28 June 2020 and 30 June 2019 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.

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 has been presented to the nearest thousand, and the prior year comparatives have been updated and rounded accordingly.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except where adopted IFRSs require an alternative treatment. The principal variations include the revaluation of derivative financial instruments that are measured at fair values at the end of each reporting period, accounting for share based payments and leases accounted for under IFRS16 and as explained in the accounting policies below.

At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective, and have not been adopted early by the Group.

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 28 June 2020, and which have given rise to changes in the Group's accounting policies are:

• IFRS 16 Leases (IFRS 16); and
•IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

IFRIC 23
The Group adopted IFRIC 23 on 1 July 2019. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over the tax position. In particular it addresses;
• how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty,
• that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge,
• that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept that treatment,
• that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty,
• that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The adoption of this interpretation did not have a material impact on the Group's financial statements.

IFRS16
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It eliminates the lease classification of leases as either operating leases or financial leases and introduces a single lease accounting model requiring lessees to recognise a lease liability reflecting the future lease payments and a right-of-use asset for lease contracts.

The Group has applied the modified retrospective transition approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures.

On transition to IFRS 16, the Group elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.
On transition to IFRS 16 the group elected to apply the following practical expedients on a lease by lease basis as allowed by the standard:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- to rely upon previous assessments of onerous leases
- apply the short term and low value exemptions

Lease payments for low value or short-term leases where the Group has elected not to recognise a right-of-use asset and lease liability are charged as an expense on a straight-line basis.

At the date property leases commence the Group determines the lease term to be the full term of the lease, assuming that any option to break or extend is not likely to be exercised. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend will be exercised. The weighted average incremental borrowing rate applied at the date of transition was 2.5%.

a. Right of use assets
Upon transition, the Group recognised a right-of-use asset at the lease commencement date. The right-of-use asset is measured as their carrying amount as if IFRS 16 has been applied since the commencement date, discounted using the lessees incremental rate at the date of initial application. Subsequent to measurement, right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if assessed to be shorter.
b. Lease liabilities
Upon transition, the lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The Group's incremental borrowing rate was the rate at which a similar borrowing could be obtained over a similar term in a similar economic environment. Judgement was required to determine an approximation with consideration given to the Groups borrowing facilities and Bank of England Base rates adjusted by an indicative credit premium and a lease specific adjustment.
Subsequently, the lease liability is increased by the interest cost on the lease liability and decreased by the lease payments made. It is re-measured if there is a modification, a change in lease term or a change in the fixed lease payment.
c. Impacts on the financial statements
(i) Balance sheet
The impact on the balance sheet on transition is summarised below:

	1 July 2019 £000
Right of use assets	50,603
Lease liabilities	(53,208)
Deferred tax asset	394
Capital contributions	1,024
Prepayments	(2,259)
Accruals	2,494
Dilapidations	(274)
Retained Earnings	1,226

The Group presents lease liabilities separately in the consolidated balance sheet.
(i) Income statement
The Group has recognised amortisation and interest costs in respect of leases that were previously classified as operating leases in the income statement, rather than rental charges. During the period ended 28 June 2020, the Group recognised £11m of additional amortisation charges and £1.4m of additional interest costs in respect of these leases.

(ii) Reserves

The Group has applied IFRS 16 using the modified retrospective approach, whereby the initial right-of-use asset was measured at carrying amount as if the standard had always been applied, but discounted using the incremental borrowing rate at the date of initial application. The lease liability was measured at the present value of the remaining lease payments. The mismatch between the liability and asset value at transition is taken to reserves. The Group has taken £1.2m to reserves at the start of the period.

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019;

	£000	£000
Total operating lease commitments disclosed at 30 June 2019		**59,859**
Recognition exemptions:		
-Leases of low value assets	(2)	
-Leases with remaining lease term of less than 12 months	(243)	
		(245)
Operating lease liabilities before discounting		59,614
Discounted using incremental borrowing rate		(6,423)
Finance lease obligations		17
Total lease liabilities recognised under IFRS 16 at 1 July 2019		**53,208**

Going concern

The Board has concluded that it is appropriate to adopt the Going Concern basis, having undertaken a rigorous review of financial forecasts and available resources, with additional specific consideration given to the uncertain impacts to the Group resulting from the Covid-19 pandemic, including short-term disruption and potential longer-term changes in consumer behaviour.

The Board considered a range of potential scenarios in determining the viability of the Group. It is anticipated that Covid-related impacts will impact both the mix of revenue by channel, and the absolute level of revenues, profit and cash flows during FY21. In considering these impacts the Directors have considered two scenarios for Going Concern purposes:

a) Base case:

For H1 FY21, the base case assumes a year-on-year reduction in sales from physical retail, partly offset by a continuation of the strong migration of sales to online and partners, with overall Group revenues lower year-on year in the first half.

The Group adapted quickly to increased online sales demand at Easter, due to the UK lockdown. The Group has since undertaken significant planning and investment to further increase its capacity to serve multichannel demand during peak periods on the assumption that online and partners will now generate a materially higher proportion of Group revenue than historically.

For calendar year 2021, the base plan assumes absolute sales and channel mix will revert to pre-COVID levels. In H2 FY21 this would represent growth on H2 FY20, when sales were materially disrupted by 12 weeks of government-mandated retail closures, and by physical capacity constraints which limited the growth of online and partner sales, but which have now been addressed by increasing the size of the distribution centre.

b) Downside scenario:

For FY21 the downside scenario assumes that UK consumers are unable to access the Brand in physical locations for an extended period immediately prior to Christmas, resulting in a greater year on year decline in retail sales, but with a higher online sales level than in the base plan, as a proportion of retail customers migrate to online. The combined effect of these changes would result in H1 Retail & Online sales 18% lower than the prior year. For H2 FY21 the downside scenario assumes that physical retail achieves 50% of the sales assumed in the base plan, with half of the sales decline being offset by sales transferring to online.

The Directors have considered the immediate levers available to mitigate the impact on profit and cash flow if performance and the pandemic were to follow this downside scenario. These include:

- Reductions in working capital in response to lower sales.
- Reduction in variable costs, including lower sales-related costs and costs of production
- Deferring or cancelling discretionary spend
- Reducing ongoing fixed costs of operation
- Deferring Capital expenditure and overseas investment
- Existing confirmed government funding support

The downside scenario is considered prudent given performance since the lockdown restrictions have eased. Based on both the scenarios modelled, the Group will be able to operate within the level of its current facilities and associated covenants.

The Directors have also considered but not included as mitigations:

- The successful equity placing in March FY20, and the bank RCF financing facility put in place during the early stages of lockdown, both of which indicate the strength of support from the Group's stakeholders including institutional investors, co-founders and the bank.
- Alternate sources of funding, including asset financing of Factory equipment and mortgaging of freehold property.
- Any new additional Government support or allowances

The Group has a £35m CLBILs Revolving Credit facility in place to December 2020, which then reduces to £25m CLBILS Revolving Credit Facility through to December 2021. It is the Board's intention to review the business plan and associated funding requirements during the first half of 2021. This will ensure plans are reflective of recent business performance, and with potentially greater visibility of the possible longer-term impacts of Covid-19 on the Group.

On this basis, the Board has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence and not breach any covenants over the remaining term of the current facilities for a period of at least 12 months from the date of approval of the consolidated 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 and parent company financial information and have concluded that there is no material uncertainty in relation to going concern.

2. Exceptional items

	52 weeks ended 28 June 2020 £000	52 weeks ended 30 June 2019 £000
Store impairments	6,606	-
St Lucia impairment	2,678	-
Corporate goodwill impairment	684	-
Total exceptional items	**9,968**	**-**

Store impairments

There is an impairment charge of £6,606k during the year ended 28 June 2020 (30 June 2019: £nil) relating to fixed assets and right of use assets of stores. The charge is primarily due to the trading conditions during the period as well as management's assessment of future cashflows over the remaining lease period for each store. The key assumptions used in the future cashflows were sales and EBITDA (based on board approved plans), assumed nil growth rate and a discount rate of 10%. A reduction in net sales of 11% would result in an increase to the impairment of £1,843k and an increase in net sales of 12% would result in a decrease to the impairment charge of £1,415k.

St Lucia impairment

There is an impairment charge of £2,678k during the year ended 28 June 2020 (30 June 2019: £nil) relating to the assets of the St Lucia business. £269k of the impairment relates to goodwill and the remaining relates to land & buildings and furniture & fittings. The charge is due to a decline in the value of the land and property due to the impact of COVID-19.

Corporate goodwill impairment
There is an impairment charge of £684k during the year ended 28 June 2020 (30 June 2019: £nil) relating to goodwill which arose from the acquisition of the corporate business of Hotel Chocolat Corporate Limited. Following a change to how the business services corporate customers, management have deemed the goodwill no longer supportable.

3. (Loss)/Profit from operations
(Loss)/profit from operations is arrived at after charging/(crediting):

	52 weeks ended 28 June 2020 £000	52 weeks ended 30 June 2019 £000
Staff cost	37,641	35,841
RHLGF grant*	(650)	-
Depreciation of property, plant and equipment	5,781	4,941
Depreciation of right of use asset	10,953	-
Amortisation of intangible assets	598	513
Loss/(Profit) on disposal of property, plant and equipment and intangible assets	(69)	44
Operating leases:		
- Property	-	11,517
- Plant and equipment	-	225
Loss/(gain) on exchange differences	171	(11)
Bad debt expense	252	48

* Retail Hospitality Leisure Grant Fund

4. Finance income and expenses

	52 weeks ended 28 June 2020 £000	52 weeks ended 30 June 2019 £000
Interest from related party	103	28
Interest on bank deposits	29	41
Unrealised interest on derivative financial instruments	27	-
Finance income	**159**	**69**
Interest on bank borrowings	66	79
Unrealised interest on derivative financial instruments	-	36
Realised interest on derivative financial liabilities	224	180
IFRS 16 interest charge	1,378	-
Finance expenses	**1,668**	**295**

5. Earnings per share

(Loss)/Profit for the period is used in the calculation of the basic and diluted earnings per share.

Diluted loss per share is capped at the basic earnings per share as the impact of dilution cannot result in a reduction in the loss per share.

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:

	52 weeks ended 28 June 2020	**52 weeks ended 30 June 2019**
Weighted average number of share in issue for the period – basic	117,507,319	112,838,191
Effect of dilutive potential share:		
Save as You Earn Plan	36,485	271,405
Long-term incentive plan	255,913	1,617,021
Weighted average number of shares in issue used in the calculation of earnings per share (number) – Diluted	**117,799,717**	**114,726,617**
Basic earnings per share (pence)	-5.5	9.7
Diluted earnings per share (pence)	-5.5	9.5

As at 28 June 2020, the total number of potentially dilutive shares issued under the Hotel Chocolat Group plc Long-Term Incentive Plan was 301,073 (30 June 2019: 830,000). Due to the nature of the options granted under this scheme, they are considered contingently issuable shares and therefore have no dilutive effect. On 20 March 2020 the Company announced the completion of an equity placing for a total of 9,777,777 new ordinary shares.

6. Property, plant and equipment

	Freehold property	Leasehold improvements	Furniture & fittings, equipment & hardware	Plant & machinery	Right of use asset	Total
	£000	£000	£000	£000	£000	£000
52 weeks ended 30 June 2019						
Cost:						
As at 1 July 2018	12,837	735	34,890	18,896	-	67,358
Reclassifications	-	-	(743)	743	-	-
Additions	1,590	-	4,727	1,946	-	8,263
Disposals	(68)	-	(2,728)	(41)	-	(2,837)
Translation differences	416	-	38	-	-	454
As at 30 June 2019	**14,775**	**735**	**36,184**	**21,544**	**-**	**73,238**
Accumulated depreciation:						
As at 1 July 2018	725	734	18,752	10,738	-	30,949
Reclassifications	-	-	160	(160)	-	-
Depreciation charge	158	1	3,626	1,156	-	4,941
Disposal	(68)	-	(2,709)	(6)	-	(2,783)
Translation differences	1	-	15	-	-	16
As at 30 June 2019	**816**	**735**	**19,844**	**11,728**	**-**	**33,123**
Net book value						
As at 30 June 2019	**13,959**	**-**	**16,340**	**9,816**	**-**	**40,115**
52 weeks ended 28 June 2020						
Cost:						
As at 30 June 2019	14,775	735	36,184	21,544	-	73,238
IFRS 16 opening adjustment	-	-	(659)	-	50,603	49,944
As at 1 July 2019	14,775	735	35,525	21,544	50,603	123,182
Additions	1,931	662	4,744	5,253	8,733	21,323
Disposals and lease modifications	-	-	(493)	-	(4,769)	(5,262)
Translation differences	332	-	62	19	263	676
As at 28 June 2020	**17,038**	**1,397**	**39,838**	**26,816**	**54,830**	**139,919**
Accumulated depreciation & impairments:						
As at 30 June 2019	816	735	19,844	11,728	-	33,123
IFRS 16 opening adjustment	-	-	(317)	-	-	(317)
As at 1 July 2019	816	735	19,527	11,728	-	32,806
Depreciation charge	163	33	4,300	1,285	10,953	16,734
Disposal	-	-	(401)	-	-	(401)
Impairment	2,277	-	2,710	-	4,029	9,016
Translation differences	11	-	37	-	-	48
As at 28 June 2020	**3,267**	**768**	**26,173**	**13,013**	**14,982**	**58,203**
Net book value						
As at 28 June 2020	**13,771**	**629**	**13,665**	**13,803**	**39,848**	**81,716**

As at 28 June 2020, the net book value of freehold property includes land of £4,029k (30 June 2019: £4,743k), which is not depreciated.

Included in freehold property is £4,940k of assets under construction (30 June 2019: £3,767k) which primarily relates to the construction of the factory in St Lucia. Included in Furniture & fittings, equipment & hardware is £303k of assets under construction (1 July 2018: £340k). Included in Plant & machinery is £4,942k of assets under construction (1 July 2018: £2,137k).

7. Leases

All leases where the Group is a lessee are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets, and
- Leases with a term of 12 months or less.

IFRS 16 "Leases" was adopted on 1 July 2019 without restatement of comparative figures.

Right of Use Assets

	Land & buildings £000	Equipment £000	Total £000
At 1 July 2019	50,034	569	50,603
Additions to right of use assets	8,712	21	8,733
Amortisation	(10,588)	(365)	(10,953)
Effect of modification of leases	(4,769)	-	(4,769)
Impairment	(4,029)	-	(4,029)
Foreign exchange	263	-	263
As at 28 June 2020	**39,623**	**225**	**39,848**

Lease liabilities

	Land & buildings £000	Equipment £000	Total £000
At 1 July 2019	52,614	594	53,208
Additions to lease liabilities	9,160	20	9,180
Interest expense	1,439	11	1,450
Effect of modification of leases	(4,849)	-	(4,849)
Lease payments	(11,843)	(346)	(12,189)
Foreign exchange	153	-	153
As at 28 June 2020	**46,674**	**279**	**46,953**

8. Trade and other payables

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

	52 weeks ended 28 June 2020 £000	52 weeks ended 30 June 2019 £000
Current		
Trade payables	8,154	7,849
Other payables	9,349	5,293
Other taxes payable	2,500	2,082
Accruals	7,248	4,304
	27,251	**19,528**
Non-current		
Other payables and accruals	31	2,757
	31	**2,757**