

HOTEL
Chocolat.

BRITISH COCOA GROWER



ADMISSION DOCUMENT

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult an independent professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document is an admission document prepared in accordance with the Rules of AIM, a market operated by the London Stock Exchange (“AIM”) and does not comprise a prospectus for the purposes of the Prospectus Rules and has not been approved by or filed with the Financial Conduct Authority. **Application has been made for all of the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 10 May 2016.**

The Company and the Directors of Hotel Chocolat Group plc, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

Hotel Chocolat Group plc

(Incorporated and registered in England and Wales with registered no. 08612206)

**PLACING OF 37,506,579 ORDINARY SHARES OF 0.1 PENCE EACH
AT A PRICE OF 148 PENCE PER ORDINARY SHARE**

AND

ADMISSION TO TRADING ON AIM

Nominated Adviser and Broker
Liberum Capital Limited

Expected share capital of the Company immediately following Admission

	<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount</i>
Ordinary Shares of 0.1p each	112,837,828	£112,837.83

Your attention is drawn in particular to the risk factors in Part 2 of this document.

The New Ordinary Shares will, on issue, rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission and will otherwise rank *pari passu* in all respects with the Existing Ordinary Shares.

The Ordinary Shares have not been nor will they be, registered under the US Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan, South Africa or the Republic of Ireland. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in the United States, Australia, Canada, Japan, South Africa or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan, South Africa or the Republic of Ireland or any person located in the United States. This document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction and is not for distribution in, or into, the United States, Australia, Canada, Japan, South Africa or the Republic of Ireland. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves of and observe such restrictions.

Liberum Capital Limited (“Liberum”) is regulated by the Financial Conduct Authority and is acting exclusively for the Company and for no one else in connection with the Placing and Admission. Liberum will not be responsible to anyone other than the Company for providing the protections afforded to customers of Liberum or for advising any other person on the contents of this document or the Placing and Admission. The responsibility of Liberum as nominated adviser and broker to the Company is owed solely to the London Stock Exchange. No representation or warranty, express or implied, is made by Liberum as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued). No liability whatsoever is accepted by Liberum for the accuracy of any information or opinions contained in this document or for the omission of any material information for which it is not responsible.

FORWARD LOOKING STATEMENTS

All statements, other than statements of historical facts, included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by the Company to be materially different from actual results, performance or achievements, or dividend payments expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's net asset value, present and future business strategies and income flows and the environment in which the Company will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

MARKET AND FINANCIAL INFORMATION

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group's position therein, are based on the Group's records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information, and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading. Unless otherwise indicated, financial information in this document, including the Group's audited consolidated financial statements for the three years ended 30 June 2013, 29 June 2014 and 28 June 2015 and six months ended 27 December 2015, and the notes to those financial statements, has been prepared in accordance with International Financial Reporting Standards.

Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

INFORMATION NOT CONTAINED IN THIS DOCUMENT

The contents of the Group's websites do not form any part of this document.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

Certain terms used in this document are defined, and certain technical and other terms used in this document are explained, in the Definitions and Glossary.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Andrew Martin Gerrie (<i>Non-executive Chairman</i>) Angus Thirlwell (<i>Chief Executive Officer</i>) Peter Mark Harris (<i>Development Director</i>) Matthew (Matt) Robert Phillip Pritchard (<i>Chief Financial Officer</i>) Matthew (Matt) Paul Margereson (<i>Chief Operations Officer</i>) Sophie Alice Tomkins (<i>Non-executive Director</i>)
Company Secretary	Peter Harris
Registered Office	Mint House Newark Close Royston Hertfordshire SG8 5HL
Nominated Adviser and Broker to the Company	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Legal advisers to the Company	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Legal advisers to the Nominated Adviser	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Auditor and Reporting Accountant	BDO LLP 55 Baker Street London W1U 7EU
Principal Bankers	Lloyds Bank PLC 25 Gresham Street London EC2V 7HN
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules for Companies”	the rules for AIM companies published by the London Stock Exchange
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to AIM companies published by the London Stock Exchange
“Articles”	the articles of association of the Company upon Admission
“Board” or “Directors”	the directors of the Company whose names are set out on page 4 of this document
“Capital Reorganisation”	the capital reorganisation of the Company which will complete immediately prior to Admission as summarised in paragraph 2 of Part 4 of this document
“Companies Act”	the Companies Act 2006 (as amended)
“Company” or “Hotel Chocolat”	Hotel Chocolat Group plc
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) and any modification thereof or any regulations in substitution thereof for the time being in force
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the Financial Conduct Authority under Part VI of FSMA
“EEA”	the European Economic Area
“Employee Sale Shares”	2,569,156 New Ordinary Shares arising pursuant to the Capital Reorganisation held by certain employees of the Group which are to be sold pursuant to the Placing
“Employee Shareholders”	certain employees of the Group who will hold Employee Sale Shares following the Capital Reorganisation
“Enlarged Share Capital”	the issued share capital of the Company upon Admission comprising the Existing Ordinary Shares and the New Ordinary Shares
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Existing Ordinary Shares”	the 102,160,564 Ordinary Shares in issue as at the date of this document
“Founders”	Angus Thirlwell and Peter Harris

“Founder Sale Shares”	20,270,270 Existing Ordinary Shares being sold by the Founders pursuant to the Placing
“Founder Spouse Sale Shares”	6,756,756 Existing Ordinary Shares being sold by the Founder Spouse Shareholders pursuant to the Placing
“Founder Spouse Shareholders”	Libby Thirlwell and Edwina Harris
“Framework Agreement”	the framework agreement between Hotel Chocolat Estates Ltd, the Founders and Philip Buckley as summarised at paragraph 10.4 of Part 4 of this document
“FSMA”	the UK Financial Services and Markets Act 2000, as amended
“FY14”	52 weeks ended 29 June 2014
“FY15”	52 weeks ended 28 June 2015
“FY16”	52 weeks ended 26 June 2016
“FY17”	52 weeks ended 25 June 2017
“Group”	the Company and its subsidiaries
“Growth Shares”	3,248,620 GS1 growth shares of 0.01p each in the capital of the Company which will be consolidated and converted into Ordinary Shares pursuant to the Capital Reorganisation
“GS2 Shares”	11,940,000 GS2 growth shares of 0.01p each in the capital of the Company which will be bought back and cancelled pursuant to the Capital Reorganisation
“H1 FY16”	26 weeks ended 27 December 2015
“Lloyds Facility Agreement”	the facility agreement entered into between the Company and Lloyds Bank PLC dated 27 April 2016 as summarised in paragraph 10.6 of Part 4 of this document
“London Stock Exchange”	London Stock Exchange plc
“LTIP”	the Hotel Chocolat Group plc 2016 Long Term Incentive Plan
“Member States”	the member states of the EEA
“MiFID”	the Markets in Financial Instruments Directive (Directive 2004/39/EC)
“New Ordinary Shares”	the 2,569,156 new Ordinary Shares arising pursuant to the Capital Reorganisation and the 8,108,108 new Ordinary Shares to be issued pursuant to the Placing
“Official List”	the Official List of the UK Listing Authority
“Order”	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended or replaced)
“Ordinary Shares”	ordinary shares of 0.1p each in the share capital of the Company
“Placing”	the conditional placing of the Placing Shares by Liberum, at the Placing Price pursuant to the Placing Agreement

“Placing Agreement”	the conditional agreement dated 5 May 2016 between the Company, the Directors, and Liberum relating to the Placing as summarised in paragraph 10.1 of Part 4 of this document
“Placing Price”	148p per Placing Share
“Placing Shares”	the 37,506,579 Ordinary Shares comprising the 8,108,108 new Ordinary Shares to be allotted pursuant to the Placing, together with the 29,398,471 Sale Shares
“Pre-emption and Lock-in agreement”	the pre-emption and lock-in agreement between the Company and the Founders as summarised at paragraph 10.3 of Part 4 of this document
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of the European Union and any relevant implementing measure in each Relevant Member States
“Prospectus Rules”	the prospectus rules of the Financial Conduct Authority made under Part VI of the FSMA
“Rabot Estate”	the 136 acres of land in Saint Lucia owned by the Group which includes a working cocoa plantation, nurseries and a luxury boutique hotel
“Relationship Agreements”	the relationship agreements between each Founder and the Company as summarised at paragraph 10.2 of Part 4 of this document
“Regulation S”	Regulation S under the Securities Act
“Sale Shares”	the Founder Sale Shares, the Founder Spouse Sale Shares and the Employee Sale Shares
“SAYE Scheme”	the Hotel Chocolat Group plc 2016 Save As You Earn Plan
“Securities Act”	the United States Securities Act of 1933, as amended
“Selling Shareholders”	the Founders (in respect of the Founder Sale Shares), the Founder Spouse Shareholders (in respect of the Founder Spouse Sale Shares) and the Employee Shareholders (in respect of the Employee Sale Shares)
“Share Option Schemes”	the LTIP and SAYE Scheme, further details of which are set out in paragraph 6 of Part 4 of this document
“Saint Lucia Share Sale and Purchase Agreement”	the share sale and purchase agreement between Hotel Chocolat (St Lucia) Holdings Ltd and the Founders dated 27 April 2016 as summarised in paragraph 10.5 of Part 4 of this document
“Subsidiary”	as defined in sections 1159 and Schedule 6 of the Companies Act
“Takeover Code”	the City Code on Takeovers and Mergers published by the Takeover Panel
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council from time-to-time
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

“UK Listing Authority”	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List
“VAT”	value added tax
“£” or “Sterling”	British pounds sterling

GLOSSARY

The following glossary of terms applies throughout this document, unless the context requires otherwise:

“B2B”	business to business
“B2C”	business to customer
“CAGR”	compound annual growth rate
“Couverture chocolate”	mostly supplied to Hotel Chocolat as a liquid ingredient for further use in chocolate making
“Digital”	the Company’s transactional website and Tasting Club subscription services
“Engaged ethics”	an approach undertaken by the Company in Saint Lucia whereby cocoa beans are bought directly from the farmer with the full crop being purchased at a pre-agreed premium to the market price
“ERP”	enterprise resource planning, a category of business-management software, typically a suite of integrated applications, that an organisation can use to collect, store, manage and interpret data
“Flagship site”	a larger site which includes a restaurant, café, bar, chocolate making experiences and retail store
“Retail theatre”	the combination of a high specification store environment, impactful displays, seasonally relevant product ranges and engaging customer service which together provide a stimulating shopping experience
“School of Chocolate Diploma”	a series of modular training courses in chocolate making and cocoa growing open to Hotel Chocolat employees
“Shop + café”	a store format that combines a chocolate shop and a café in the same retail unit
“SKU”	Stock Keeping Unit
“Tree to bar”	a process of chocolate production starting with the harvesting of the crop and culminating in the finished chocolate bar in the same location, emphasising the direct connection between cocoa agriculture and the final chocolate product
“Tree to bar experience”	a visitor attraction offered by Hotel Chocolat in Saint Lucia whereby visitors experience the tree to bar process

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	5 May 2016
Completion of the Capital Reorganisation	10 May 2016
Admission and expected commencement of dealings	10 May 2016
CREST accounts credited	10 May 2016
Despatch of definitive share certificates (where applicable)	10 May 2016

Each of the times and dates in the above timetable is subject to change.

All times are London times unless otherwise stated.

PLACING STATISTICS

Placing Price per Ordinary Share	148p
Number of Ordinary Shares in issue immediately prior to Admission (including the Employee Sale Shares)	104,729,720
Number of New Ordinary Shares being placed (other than the Employee Sale Shares)	8,108,108
Number of Sale Shares being placed	29,398,471
Number of Ordinary Shares in issue upon Admission	112,837,828
Proportion of the Enlarged Share Capital represented by the Sale Shares	26.1%
Proportion of the Enlarged Share Capital represented by the New Ordinary Shares being placed (other than the Employee Sale Shares)	7.2%
Market capitalisation of the Company at the Placing Price	£167.0 million
Estimated net proceeds of the Placing receivable by the Company	£9.5 million
ISIN code	GB00BYZC3B04
SEDOL Number	BYZC3B0
AIM TIDM	HOTC

PART 1

INFORMATION ON THE GROUP

THE GROUP'S BUSINESS

Introduction

Hotel Chocolat manufactures premium chocolate and cocoa-related products and sells them direct to its customers. The Group sells its products online and through a network of 84 stores in the UK and abroad, with 94 per cent. of FY15 sales occurring in the UK. The Directors believe that Hotel Chocolat is the UK's favourite premium chocolate brand, providing a differentiated, cocoa-rich taste at an accessible price.

The business was founded in 1993 by Angus Thirlwell and Peter Harris and has traded under the Hotel Chocolat brand since 2003. Hotel Chocolat has a strong and distinct brand that is at the core of its offering and is built on values of originality, authenticity and ethics.

The Company has a proven track record of sales growth, long term profitability and strong cash generation. In the year ended 28 June 2015 the Group generated revenue of £82.6 million and EBITDA of £8.1 million. In H116 the Group generated revenue and EBITDA of £55.7 million and £11.0 million respectively.

The Group owns a cocoa plantation in Saint Lucia called the Rabot Estate, with the cocoa beans grown on the plantation being the source of rare cocoa that is used within the Group's super premium range.

The Group's strategy is to continue the store rollout using proven store formats; invest in increasing the Group's UK manufacturing capacity; and further improve the Group's digital offering.

The Company is seeking to raise approximately £12.0 million (before expenses) through the Placing, the net proceeds of which will be used to accelerate the Group's growth strategy. In addition, the Placing will raise approximately £43.5 million (before expenses) for the Selling Shareholders. Further details of the Founders' remaining interests in the Company are set out in paragraph 7.1 of Part 4 of this document.

Further details of the Placing are set out below.

The Group's history and development

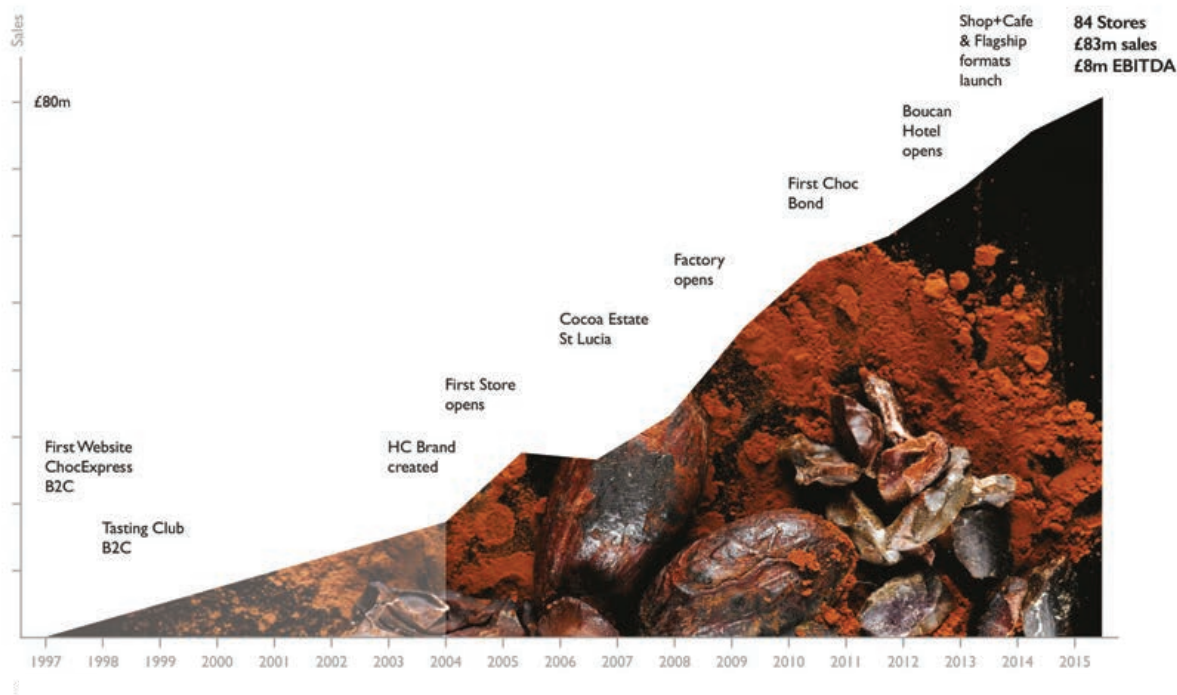
Angus Thirlwell and Peter Harris, Chief Executive Officer and Development Director of the Company respectively (together the "**Founders**"), began working together in 1987 when they established a business selling mints direct to corporate customers. The business later expanded and focused on selling chocolates online to consumers under the brand 'ChocExpress', with the Chocolate Tasting Club being created in 1999. The Hotel Chocolat brand was created in 2003 and the first Hotel Chocolat store opened in 2004.

In 2008 the Group established a dedicated UK manufacturing facility near Cambridge, which allows in-house chocolate design and manufacture.

In 2006 the Group purchased a cocoa plantation in Saint Lucia, providing both part of the Group's super premium cocoa supply and a deep understanding of the cocoa growing process. A boutique hotel, spa and restaurant opened on the estate in 2011.

The Founders and their immediate families own 100 per cent. of the Ordinary Shares at the date of this document. In addition certain of the Group's employees were awarded Growth Shares which will convert into Ordinary Shares shortly prior to Admission. The Group has largely been financed through retained earnings. In addition the Group has also raised money through the issue of innovative 'chocolate bonds', originally in 2010. There are currently £6.9 million of chocolate bonds in issue, the holders of which receive boxes of chocolate *in lieu* of interest payments.

The Group's history and growth

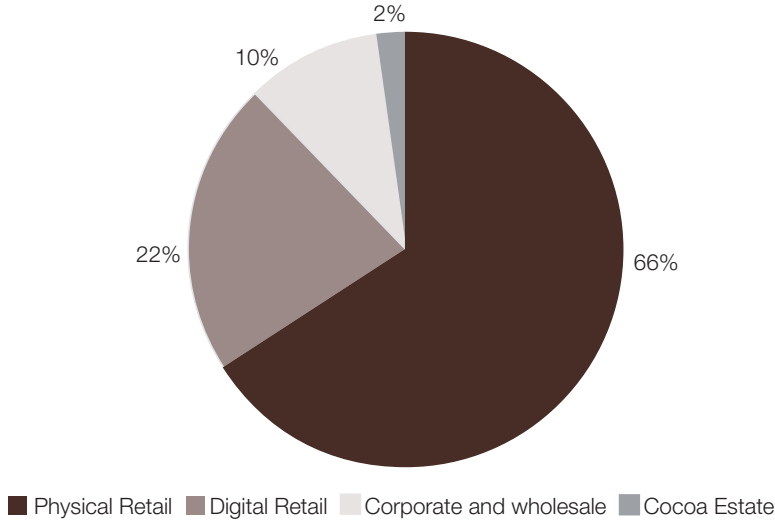


The Group's business

Hotel Chocolat designs, manufactures and sells premium chocolates and cocoa-related products. All of the chocolate products are designed in-house, with over 95 per cent. being manufactured at the Group's facility in Cambridgeshire. The Group sells its products through both digital and physical retail channels and via wholesale:

- **Digital:** the origin of the consumer business, predating the physical stores. In addition to web sales, the business also operates a subscription based Tasting Club, with approximately 70,000 members who receive tasting boxes regularly. Tasting Club members give recipe scoring feedback to Hotel Chocolat, which provides customer insight and informs ongoing product innovation, with the most successful recipes being introduced in to the retail ranges.
- **Physical retail:** the Group has 81 shops in the UK and three in Denmark. The portfolio includes five "shop + café" sites and two "flagship" sites. The business operates a "School of Chocolate Diploma" to equip store teams with relevant knowledge to enhance the customer experience and mark Hotel Chocolat out as a sector specialist.
- **Wholesale:** The Group sells certain products through a small number of selected wholesale partners, including John Lewis, and also sells corporate gifts in the B2B market.
- **Saint Lucia:** The Group owns a cocoa plantation in Saint Lucia called the Rabot Estate. The plantation is the source of some of the rare cocoa that is used within the Group's super premium range. In addition, a luxury boutique hotel, spa and restaurant was opened on the estate in 2011. The Group also owns the smaller Delcer Estate which comprises largely undeveloped land.

The Group’s FY15 sales by channel



The Group’s vertically integrated business model, spanning design, manufacturing, direct retailing and growing part of its cocoa supply, gives the Group increased control to ensure a premium product and service experience for customers.

Manufacturing

Over 95 per cent. of the Group’s products are manufactured at its facility in Cambridgeshire. This facility is situated on a freehold property owned by the Group, having been acquired in 2004, and has approximately 160 full time employees. The remaining 5 per cent. of products are manufactured by partners under the direction and quality control of Hotel Chocolat.

The ingredients for the Group’s products are sourced from carefully chosen suppliers, with some of the cocoa beans for its super premium range coming from the Group’s own Rabot Estate in Saint Lucia. The Directors believe that by growing some cocoa itself Hotel Chocolat has acquired extensive knowledge in cocoa quality, which they think is a key differentiator from competitors. The majority of the Group’s liquid couverture chocolate is supplied to exclusive Hotel Chocolat “house” formulations by Barry Callebaut, an industry supplier with whom the Group has worked since 2008.

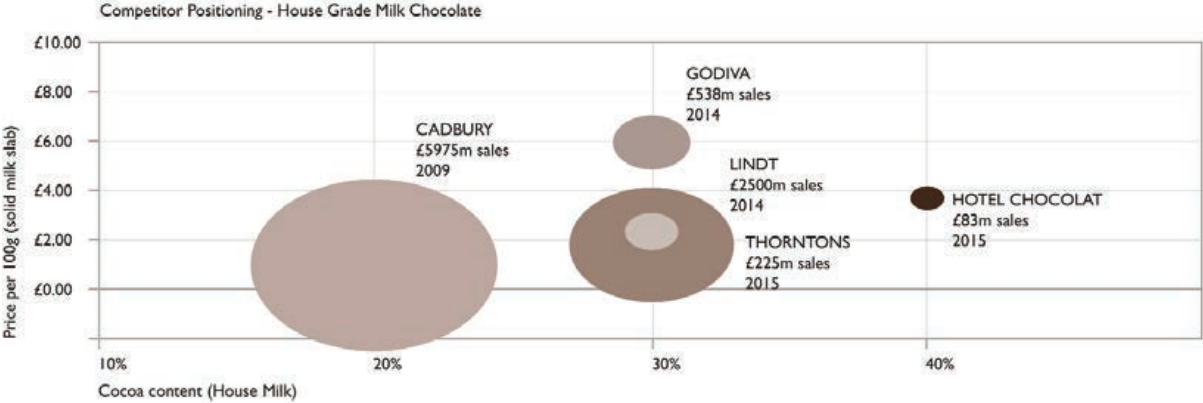
Distribution

The Group’s main distribution centre is headquartered at a 108,000 sq/ft leased facility located in St Neots, Cambridgeshire, 14 miles from the Group’s manufacturing facility. The majority of products are packaged at the distribution centre and then distributed using the Company’s own fleet of leased vehicles. The Group uses a variety of parcel delivery services for shipping digital orders. In addition the Group dispatches Tasting Club parcels from a central European hub located in Switzerland.

Product positioning

The Directors believe that Hotel Chocolat provides its customers with a differentiated, cocoa rich taste at accessible price-points. The approach to product development is enshrined in the Company’s mantra of creating chocolates with ‘More Cocoa, Less Sugar’. For example, the Group’s house-grade milk chocolate contains 40 per cent. cocoa, and its white chocolate is 36 per cent. cocoa. This is above the average cocoa content of relevant industry alternatives (see table below). At the upper end of the range the Group has products with up to 100 per cent. cocoa content. A high cocoa content is considered by consumers to be a sign of premium quality which can consequently command a premium selling price. A disciplined costing and pricing structure allows Hotel Chocolat to sell chocolates with a high cocoa content at a competitive price.

Comparison of cocoa content and price per 100g bar compared to selected competitors



Note: size of bubble represents sales

Cocoa content of selected bars

		Cocoa %	
Milk	Hotel Chocolat	40%	<div style="width: 40%;"></div>
	Green & Blacks	37%	<div style="width: 37%;"></div>
	Godiva (Milk 31% Chocolate Tablet)	31%	<div style="width: 31%;"></div>
	Lindt Excellence Extra Creamy	30%	<div style="width: 30%;"></div>
	Thorntons (Magnificent Milk)	30%	<div style="width: 30%;"></div>
	Cadbury Dairy Milk	20%	<div style="width: 20%;"></div>
White	Hotel Chocolat White	36%	<div style="width: 36%;"></div>
	Green & Blacks	30%	<div style="width: 30%;"></div>
	Lindt Excellence (A Touch of Vanilla)	20%	<div style="width: 20%;"></div>

The Group’s product range

The Directors believe Hotel Chocolat provides its customers with an affordable luxury. All of the Group’s products are designed in-house and are exclusive to the Hotel Chocolat brand, with international protection for the Group’s intellectual property. The Group has created a broad product range with the goal of being a true sector specialist. Product ranges are frequently refreshed with management striving for continual innovation within a disciplined range framework.

The five key product ranges can be summarised as follows:

- **Selector**

A library of approximately 120 small packs each containing a single style of chocolate that the Group makes, all packaged and displayed in a consistent format. The Selector packs are intended to be the entry-level proposition, currently priced at £3.85 each, with a multi-buy offer of 3 or more currently priced at £3.15 each, which increases the average transaction value to £8 and is intended to encourage customers to try some of the new creations on offer. As with all the Group’s products the range is self-selection, which the Directors believe is a better, more efficient and more inviting alternative to the traditional glass cabinet chocolate counter.

- **Boxed Selections**

Aimed at customers seeking something for a gift or an occasion and priced from £8 to £165, each containing an assortment of chocolate types. The popular products within the range include the “HBox” (£12), the “Sleekster” (£22.50), the Tasting Club box (£22.95 including delivery) and the “Chocolatier’s Table” (£65).

- **Seasonal**

Bespoke products relevant to specific times of the year, most notably Christmas, Easter, Valentine's Day, Mother's Day, Father's Day and Halloween, and priced from £2 to £300. The Directors believe that Hotel Chocolat's seasonal designs and displays help create "retail theatre", contributing to the appeal of the brand and increasing sales.

- **Rabot 1745**

A super premium range that uses rare and vintage cocoa beans grown around the world, including from the Group's Rabot Estate in Saint Lucia, and priced from £3.75 to £26. Beans are roasted and ground in small batches to produce bars which have a high cocoa content, some up to 100 per cent. The packaging emphasises provenance, tasting notes, and the details of the production methods.

- **Other**

Ranges of cocoa and chocolate-related items and gifts including: drinking chocolate, biscuits, wines and spirits, cookery books, baking products and beauty products containing cocoa butter. Prices range from £1.95 to £75. The ranges are intended to offer new and interesting alternatives that complement the existing chocolate range. The Directors believe that white chocolate horseradish and award winning cocoa gin and cocoa beer are innovative industry 'firsts'.

Product Innovation

The Directors believe that innovation is a key differentiator for the brand, with the Tasting Club playing an integral role through its 70,000 members who are invited to score new recipes. Hotel Chocolat's team of chocolatiers create approximately 130 new recipes per annum for the club. Chocolates receiving the highest scores from the members are then considered for testing within the Selector range, with the best sellers typically then included within the Boxed range.

As a result of this process the Group has access to a pool of engaged consumers providing effective feedback. This allows the Group to release new product lines to the market with a high level of commercial confidence. This results in a cost effective method of product innovation and reduces the wastage which would result from unsuccessful product launches.

The Directors believe that the Tasting Club plays an integral role in the Group's product innovation and provides a resultant competitive edge.

Brand

With strong brand recognition both online and on the high street, the Hotel Chocolat brand has established itself in a little over 12 years. The Directors believe that the Hotel Chocolat brand is a very important asset of the Company and have defined the brand's core values as: 'Original, Authentic, Ethical', which they believe accurately describes the values and behaviours that the Group aspires to stand for.

In 2012, an independent survey of 6,000 UK consumers conducted by Bain & Co, Hotel Chocolat was the only British brand in the top 10 to be named by shoppers as one of the 'Most Advocated brands', achieving a 59 per cent. net promoter score.

In 2015, a survey of 2,800 nationally representative consumers conducted by Allegra Strategies confirmed Hotel Chocolat as the 'nation's favourite premium chocolate brand'.

The Group has robust and comprehensive intellectual property protection. The Group's intellectual property portfolio comprises a large number of trade marks which are registered in a number of jurisdictions worldwide in the name of the Company's subsidiaries. The corporate brand "Hotel Chocolat" is registered as a word mark in a number of jurisdictions worldwide including the Group's main areas of trade. The Group also holds a number of registered designs. These designs relate to the main packaging used by the Group, including the "HBox" and "Slab Design" range of products.

Customers

The brand was conceived at the outset to be appealing to a broad spectrum of consumers, achieved by offering a wide range of products and price points. The Founders defined the core values of original, authentic and ethical to enable the brand to attract a diverse demographic and to express what the brand aspires to stand for.

The Directors believe that the brand's ability to appeal across a broad geographical base in the UK, and to diverse age groups, is a distinct advantage which they intend to carefully nurture.

The digital origins of the business have provided insights into customer behaviour which present opportunities to improve the customer offer across all channels.

Saint Lucia

The Group owns the 136 acre Rabot Estate in Saint Lucia, which currently includes:

- a working cocoa plantation with propagation nurseries and a “tree to bar” chocolate making experience for paying visitors; and
- a luxury boutique hotel called Boucan. The hotel comprises 14 guest rooms, a spa and a 60 cover award-winning restaurant and had sales and EBITDA of \$2.5 million and \$0.4 million respectively in FY15 with 80 per cent. room occupancy.

In addition to the existing facilities, the Group is building a larger visitor centre, which will allow greater numbers of paying visitors to experience the working cocoa plantation, make their own chocolate bars and learn more about the connection between cocoa and luxury chocolate.

The Directors believe that the purchase and restoration of the Rabot Estate in Saint Lucia has provided the Group with an increased understanding of cocoa growing, including cocoa genealogy, harvesting and fermentation techniques and sustainable agricultural practices. This means Hotel Chocolat is able to be a better and more knowledgeable partner when it buys cocoa from growers in other regions.

On the island of Saint Lucia, Hotel Chocolat has established an “engaged ethics” programme to work with other cocoa growers. Based on sustainable practices, the Directors believe that this programme has fundamentally improved the outlook for cocoa growers in Saint Lucia. There are currently more than 190 independent grower members, benefitting from an enhanced price with no middlemen, a guaranteed purchase of all their crop, quick payment and technical knowledge support. The Directors believe that this is a blueprint of how cocoa growing should be organised in other parts of the world, with the aim of cocoa farmers becoming as respected as growers of grapes for wine.

Store locations

The Hotel Chocolat stores are predominantly located in the UK, with 3 of its 84 stores located abroad (in Copenhagen, Denmark). The UK stores are situated throughout the country in accordance with the Directors' aim that the brand should offer accessible luxury to all consumers.

New stores are selected by assessing local customer profile, footfall estimates, the quality of adjacent brands in nearby premises, the suitability of the available square footage and the visibility of the shop front, and by cross referencing to existing store performance in similar catchments. All currently operating UK stores are profitable. The Group targets payback of new stores within 16 months from opening and payback of new cafés within 27 months from opening.

Chocolate democracy

Profitable stores with nationwide coverage

Truly accessible luxury

Aberdeen	Exeter	Norwich
Basingstoke	Factory Shop	Nottingham
Bath	Gateshead	Oxford
Belfast	Glasgow Braehead	Paddington
Birmingham	Glasgow Enoch	Plymouth
Birmingham New St	Guildford	Rabot 1745
Bluewater	Hammersmith	Reading Station
Brighton	Harrogate	Reading
Bristol	JL York	Regent Street
Bromley	Kings Cross	Soho
Brushfield Street	Kingston	Solihull
Cambridge	Lakeside	Southampton
Canary Wharf	Leeds	St Albans
Canterbury	Leeds Trinity Flagship	Strand
Cardiff	Leicester	Stratford
Chancery Lane	Liverpool	Taunton
Charing Cross	Liverpool Street	Tottenham Court Road
Cheapside	London Bridge	Trafford Centre
Cheltenham	Maidstone	Tunbridge Wells
Chester	Manchester Arndale	Victoria Station
Chichester	Manchester Market St	Victoria Street
Copenhagen Airport	Manchester Piccadilly Station	Waterloo
Copenhagen City	Marylebone Station	Watford
Copenhagen Frederiksberg	Meadowhall	White City
Covent Garden	Milton Keynes	Windsor
Cribbs Causeway	Moorgate	York
Dudley	Newbury	Jersey (Franchise)
Edinburgh	Newcastle	Guernsey (Franchise)



Market

The Directors believe that the Group operates in a number of key markets in addition to the traditional chocolate market, all of which are growing and have significant headroom:

- **UK gifting** – with an estimated size of approximately £20 billion (source: Mintel, 2007), the Directors believe that over 50 per cent. of Hotel Chocolat sales are purchased as gifts, but that the brand currently accounts for less than 0.5 per cent. of the gifting market. Competitors in the UK gifting market include White Company, Jo Malone and other lifestyle brands and department stores. The Group intends to grow its presence in this sector by, *inter alia*, promoting and extending its digital gift-sending services, and by introducing new product ranges, including ‘1-stop-shop’ gift solutions.
- **UK chocolate** – with an estimated size of £6.4 billion (source: Canadean, 2014) and forecast to grow at 3.7 per cent. CAGR, the Directors believe that the Group currently accounts for approximately 2 per cent. of this market. The Group’s strategies to increase its sales in this market include the continuation of its proven and profitable store rollout strategy, online customer acquisition strategies via digital marketing and by continuing new product development and range development.
- **UK cafés** – with an estimated size of over £7.9 billion (source: Allegra, 2016), the Directors believe that, with currently only five ‘shop + café’ store formats in its portfolio, Hotel Chocolat currently accounts for less than 0.1 per cent. of this market. The Group’s shop + café format combines a premium hot-chocolate led café with a chocolate shop. The format delivers a higher average sales and profit per site and provides more reasons for customers to visit. The Group intends to add cafés to selected new retail sites as well as relocating some existing stores to larger sites, adding cafés when the leases come to an end. The Directors believe that the premium offer of a range of authentic drinking chocolates, coffees and light infusions served in an upscale environment provides a differentiated customer experience.

- **International** – the Group currently has three stores in Copenhagen, Denmark. The Group intends to hone its international model within this test market, before considering larger territories. Internationally the Group sees its broad competitors as including Godiva, L'Occitane and Lush.

Key strengths

The Directors believe that the Group has the following key strengths:

- **Strong and distinctive brand**
Hotel Chocolat has a powerful brand that is built on values of originality, authenticity and ethics.
- **Premium differentiated product**
Hotel Chocolat is the UK's favourite premium chocolate brand, providing a differentiated, cocoa-rich taste at an accessible price point.
- **Vertically integrated business model**
The Group's vertically integrated business model spans in-house chocolate design, manufacture, distribution, direct retailing and the cultivation of part of its cocoa supply in Saint Lucia, giving it a high degree of control over every aspect of product and service, in order to ensure a premium experience for customers.
- **Product innovation**
The Group's Tasting Club has approximately 70,000 loyal members who score new chocolate ideas on a regular basis to participate in the evolution of the Company's product range, ensuring regular product innovation. The Group has established a track record of broad innovation including 'single cote' super premium chocolate, the first subscription model in chocolate, the Selector range, the Chocolate Bond and award winning cocoa gin and cocoa beer.
- **Proven track record**
The Company has a proven track record of organic sales growth, long term profitability and strong cash generation.
- **Omnichannel retail distribution**
The Group's products are sold via a range of owned channels, including an established online presence and physical retail, with 84 shops including five "shop + café" formats, two flagship sites and three sites in Copenhagen. The Directors believe that investing in direct supply to their customers, and eschewing traditional supermarket distribution, has enabled them to build a better relationship with their customers, thereby leading to enhanced loyalty.
- **Digital offering**
Hotel Chocolat has approximately 500,000 active customers engaged through the Company's website (being a customer who has made an online purchase in the past 24 months).
- **Experienced management team**
The Company has an experienced and stable management team, led by Angus Thirlwell and Peter Harris who founded the original business over 20 years ago. They are well supported by Matt Pritchard and Matt Margerson, CFO and COO respectively, and the wider senior management team.

Strategy and Growth Opportunities

The Directors intend to pursue the Group's organic growth strategy via the following routes:

- **Store rollout**

Continue the roll out of its stores using its proven and profitable store formats. This will include both boutiques and the new shop + café formats, and will involve new stores in new locations, relocating certain existing stores to nearby larger prime sites, and refits of certain existing sites to improve the customer experience.

- **Digital innovation**

Improve the Group's digital offering by, *inter alia*, developing and implementing a new consumer website, which the Directors expect to be operational in FY16/17. The new website will have a more responsive design, facilitating enhanced mobile and tablet compatibility. It will provide an enhanced gifting proposition, including gift hamper curation, and will be complemented by a trial gifting app in due course. The improved digital platform will also allow the Group to offer international websites at marginal costs.

- **Increase UK manufacturing capability**

Increase the manufacturing capability at the Group's facility near Cambridge. The Directors believe that further capital investment will increase the capacity of the factory and unlock economies of scale. In addition, a redesign of parts of the production process will help reduce packaging costs. The Directors believe that such investment will increase the Group's EBITDA profit margin.

FINANCIAL INFORMATION

The table below sets out a summary of the trading record of the Group's business for the last three 52 week periods ended 28 June 2015 and the 26 week period ended 27 December 2015. This data has been extracted, without material adjustment, from the Financial Information contained in Part 3 of this document and relates to continuing operations.

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 December 2014</i>	<i>26 weeks ended 27 December 2015</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Revenue	68.9	75.2	82.6	48.8	55.7
EBITDA ⁽¹⁾	6.5	1.1	8.1	7.8	11.0
Profit/(loss) before taxation from continuing operations	3.3	(4.8)	2.8	5.1	8.8
Profit/(loss) after taxation from continuing operations	2.1	(3.7)	1.9	4.0	7.0

(1) EBITDA excludes impairment of property, plant and equipment, and loss on disposal of property, plant and equipment and intangible assets.

The Group experienced a downturn in profitability during FY14 as a result of several management initiatives taken to position the Group for further growth. These included Group formation costs, cancellation of an ERP IT project, the exit from the Group's US and Netherlands operations and the Nordic tasting club, food and beverage start-up costs and head office reorganisation expenses. The underlying operations remained profitable through the year, with underlying EBITDA of £5.0 million.

H1 FY16 has shown revenue growth of 14 per cent. against the prior year with EBITDA growth of 41 per cent. and a profit after taxation increase of £3.0m with revenue growing faster than overheads during the period.

CURRENT TRADING AND PROSPECTS

The financial information for the 26 weeks ended 27 December 2015 is set out in Part 3 of this document. Current trading throughout the spring period including Easter has been in line with the Board's expectations.

DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group. It is currently expected that the first dividend payment will be paid in relation to FY17.

The Directors may revise the Group's dividend policy from time to time in line with the actual results of the Group.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company will receive approximately £9.5 million net proceeds from the Placing (after deducting broking commissions, other estimated offering-related fees and other related expenses incurred by the Group of approximately £2.5 million).

The Directors intend that the net proceeds will, in addition to existing cash resources, available debt facilities and future operational cash flow, be used to accelerate the Group's growth capital expenditure plan. This includes the continuation of its store rollout policy (approximately £5 million), improvement of the Group's digital offering (approximately £1.5 million) and an increase in its UK manufacturing capability (approximately £10 million). Furthermore, the Directors believe that Admission will further raise the profile of the Group and assist in retaining and incentivising employees.

In addition, the Placing will provide a partial realisation for the Founders and their spouses, who will be raising approximately £40.0 million (before expenses) from the sale of their Sale Shares in the Placing, and a full realisation for the Employee Shareholders.

DETAILS OF THE PLACING AND ADMISSION

The Company is proposing to issue 8,108,108 new Ordinary Shares at a price of 148 pence per share to Placees pursuant to the Placing. In addition 29,398,471 Sale Shares will be sold by Selling Shareholders pursuant to the Placing.

The Company, the Directors and Liberum have entered into the Placing Agreement relating to the Placing pursuant to which, subject to certain conditions, Liberum has conditionally agreed to use its reasonable endeavours to procure subscribers for the 8,108,108 new Ordinary Shares to be issued by the Company and purchasers for 29,398,471 Sale Shares to be sold by the Selling Shareholders. The Placing Shares will represent approximately 33.2 per cent. of the Enlarged Share Capital and the 8,108,108 new Ordinary Shares subscribed for by Placees will represent approximately 7.2 per cent. of the Enlarged Share Capital.

The Placing Agreement is conditional, *inter alia*, upon Admission having become effective by not later than 8.00 a.m. on 10 May 2016 or such later time and date as the Company and Liberum may agree.

Further details of the Placing Agreement are set out in paragraph 10.1 of Part 4 of this document.

Each of the employees selling Employee Sale Shares and the spouses of the Founders in respect of the Founder Spouse Sale Shares have entered into a deed poll of election pursuant to which he or she appoints the Company as their agent to arrange the placing and sale of the Sale Shares belonging to them. Further details of the deed polls of election are set out in paragraph 10.8 of Part 4 of this document.

The Placing will raise £12.0 million (before expenses) for the Company. The currency of the Placing is pounds sterling.

The New Ordinary Shares will be issued credited as fully paid and will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made by reference to a record date falling after Admission.

ADMISSION, DEALINGS AND CREST

Application has been made to the London Stock Exchange for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares at 8.00 a.m. on 10 May 2016.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a "system member" (as defined in the CREST Regulations) in relation to CREST. Dealings in advance of crediting of the relevant CREST account(s) shall be at the sole risk of the persons concerned.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

DIRECTORS

On Admission the Board will comprise four executive Directors and two non-executive Directors.

Brief biographies of the Directors are set out below:

Andrew Gerrie (aged 53) – Non-executive Chairman

Andrew joined Hotel Chocolat as Non-executive Chairman in 2015 and has extensive retail experience, having served as Chief Executive Officer of Lush Cosmetics from 1994 to 2014. During his 20 years as Chief Executive Officer, Lush grew to over 900 stores across 49 countries, employing over 10,000 people with seven manufacturing facilities across the world and sales in excess of £454 million.

Andrew holds a Bachelor of Commerce degree from Auckland University.

Angus Thirlwell (aged 53) – Co-Founder and Chief Executive Officer

Angus co-founded Hotel Chocolat with his business partner, Peter Harris, in 1993. Angus is Chief Executive of the Group and has a particular focus on brand, strategy, product, channel models, marketing and creative. In 2008, Angus won the Ernst & Young National Entrepreneur of the Year with co-founder Peter Harris.

Angus attended Cranfield School of Management and is a committee member for The Academy of Chocolate.

Peter Harris (aged 61) – Co-Founder and Development Director

Peter co-founded Hotel Chocolat with his business partner, Angus Thirlwell, in 1993. Peter was Finance Director for 18 years from when the business was founded and now focuses on the real estate, legal and IP elements of the business. Prior to Hotel Chocolat, Peter co-founded Torch Computers in 1981 and was a director until it was sold in 1987. In 2008, Peter won the Ernst & Young National Entrepreneur of the Year with co-founder Angus Thirlwell.

Peter qualified as a Chartered Accountant in 1979.

Matt Pritchard (aged 41) – Chief Financial Officer

Matt joined Hotel Chocolat as Chief Financial Officer in 2014 and is responsible for the finance function and retail operations. He has over 20 years' experience in retail finance roles, gained at a number of blue chip

organisations. Matt joined WH Smith in 1998 and moved to Somerfield in 2007 where he became Director of Commercial Finance, responsible for forming a new commercial finance team covering buying, marketing, retail operations and property. In 2010 Matt joined Asda as Head of Business Development and was made Head of Trading Finance in 2012.

Matt qualified as a Chartered Certified Accountant in 1998 and holds a BA Hons in Geography from the University of Sheffield.

Matt Margereson (aged 45) – Chief Operations Officer

Matt has 23 years' experience in retail operations and supply chain management. Matt joined Ice Fresh Foods in 1999 as Operations Director and moved to Pioneering Food Group in 2003 as Group Operations Director. Matt joined Hotel Chocolat in 2006 as Supply Chain Director and became Operations Director in 2007. In 2010 Matt became Managing Director of Operations and was appointed as Chief Operations Officer in 2015. He is responsible for the operational elements of Hotel Chocolat, including supply chain management, product development, manufacturing, engineering and technology.

Matt completed an MBA in Business Management for Strategic Advantage in 2010 and became a Chartered Member of the Chartered Institute of Logistics and Transport.

Sophie Tomkins (aged 46) – Non-executive Director

Sophie has considerable public markets experience, gained through a 17 year career in the City at several investment banks. Sophie began her career at Arthur Anderson, after which she joined Cazenove & Co in 1995 as an Equities Analyst, covering the food retail, food manufacturing and household products sectors. Sophie joined Collins Stewart in 1997 as an Equity Analyst and Salesperson on the Small-Cap team, involved in a variety of different transactions and fundraises and, in 2006, joined Fairfax becoming Head of Equities, responsible for Corporate Finance, Corporate Broking, Sales, Trading, Market-Making and Research, before leaving in 2012.

Sophie is currently Non-executive Director and Chair of the Audit Committee of Synety Group PLC.

Sophie qualified as a Chartered Accountant with Arthur Anderson in 1994, gained an MA in Modern History from St. John's College, Cambridge and is a fellow of the Chartered Institute for Securities & Investment.

LOCK-IN ARRANGEMENTS

Andrew Gerrie, Angus Thirlwell, Peter Harris, Matthew Pritchard and Sophie Tomkins, being Directors who will, upon Admission, be interested in Ordinary Shares, have undertaken pursuant to the terms of the Placing Agreement, save in limited circumstances, not to dispose of any of their interests (or interests held by their connected persons) in such shares for a period of 12 months from Admission. In addition, the Founders have agreed, for a further period of 12 months thereafter, to deal in their Ordinary Shares only through Liberum with regard to maintaining an orderly market, except in certain limited circumstances. In aggregate, 75,564,358 Ordinary Shares, representing 67 per cent. of the Enlarged Share Capital, are subject to the lock-in arrangements referred to above. Further details of the lock-in arrangements are set out in paragraph 10.1 of Part 4 of this document.

PRE-EMPTION AND LOCK-IN AGREEMENT

The Founders and the Company have entered into a pre-emption and lock-in agreement pursuant to which the Founders have agreed to maintain a certain level of shareholding for certain periods and not to dispose of interests in Ordinary Shares without first offering them to the other Founder.

Further details of this agreement are set out in paragraph 10.3 of Part 4 of this document.

RELATIONSHIP AGREEMENTS

Immediately following Admission each Founder will be entitled to exercise or control the exercise of voting rights in respect of 33.3 per cent. of the Enlarged Share Capital and will have significant influence on the

business of the Company and may cause or take actions that are not in, or may conflict with, the best interests of the other shareholders of the Company. Accordingly, each Founder has entered into separate relationship agreements with the Company which regulates the relationship between the Founder and the Company and ensures that the Company is capable of carrying on its business at arm's length from the Founder. For so long as he holds at least ten per cent. of the issued share capital of the Company, each Founder (and in the event of the Founders' death, the Founder's immediate family provided it holds over ten per cent. of the issued share capital) will have the right pursuant to each Relationship Agreement to nominate a Director or an observer to the Board. Further details of the Relationship Agreements are summarised in paragraph 10.2 of Part 4 of this document.

TAKEOVER CODE

The Takeover Code applies to the Company.

Rule 9 of the Takeover Code is designed to prevent the acquisition or consolidation of control of a company subject to the Takeover Code without a general offer being made to all shareholders. Rule 9 states that when any person or group of persons acting in concert acquires (whether by one transaction or a series of transactions) an interest in shares which carry 30 per cent. or more of the voting rights of the company, such person or persons acting in concert must normally make a general offer for the balance of the issued share capital of such company (the "Mandatory Bid Obligation"). Rule 9 also states that any person or group of persons acting in concert that is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights must normally make a general offer for the balance of the issued share capital should there be any increase in the percentage of the shares carrying voting rights in which they or any person acting in concert with them are interested.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer or any person acting in concert with him for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Immediately following Admission, each Founder will hold 37,566,769 Ordinary Shares representing 33.3 per cent. of the Enlarged Share Capital, and the Founders will accordingly hold in aggregate 66.6 per cent. of the Enlarged Share Capital. For the purposes of the Takeover Code, the Founders are deemed to be a concert party (the "Concert Party").

It should be noted that at Admission the Concert Party will hold more than 50 per cent. of the voting rights of the Company. As such, the Concert Party would be permitted (for so long as it continues to be treated as acting in concert) to make purchases of Ordinary Shares without incurring an obligation under Rule 9 to make a general offer to all holders of Ordinary Shares. The members of the Concert Party would remain subject to Rule 9 in an individual capacity.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Directors recognise the value and importance of high standards of corporate governance and intend to comply with the principal provisions of the UK Corporate Governance Code as far as is practical for a company of the Company's size and nature.

With effect from Admission, the Board has established an audit committee (the "**Audit Committee**"), a nomination committee (the "**Nomination Committee**") and a remuneration committee (the "**Remuneration Committee**") with formally delegated responsibilities.

The Audit Committee will be chaired by Sophie Tomkins. Its other member will be Andrew Gerrie. The Audit Committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditor relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet at least twice a year and will have unrestricted access to the Company's auditor.

The Nomination Committee will be chaired by Andrew Gerrie, and will identify and nominate for the approval of the Board candidates to fill Board vacancies as and when they arise. The Nomination Committee will

meet at least once a year. Sophie Tomkins will be the other member of the Nomination Committee.

The Remuneration Committee will be chaired by Andrew Gerrie. Its other member will be Sophie Tomkins. The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee will meet at least once a year.

The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the non-executive directors of the Company will be set by the Board.

The Directors intend to comply, and procure compliance with, Rule 21 of the AIM Rules for Companies relating to dealings by directors and other applicable employees in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code. Each non-executive director is deemed independent for the purposes of the UK Corporate Governance Code.

SHARE OPTION SCHEMES

The Directors believe that the success of the Group will depend to a significant degree on the future performance of the management team. The Directors also recognise the importance of ensuring that all employees are well motivated and identify closely with the success of the Group. Accordingly, the Company has established the following Share Option Schemes:

LTIP

The Company has adopted the LTIP under which awards in the form of non-tax advantaged market value options and/or options which satisfy the requirements for tax relief under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 may be granted to Directors and key management.

The first options to be granted under the LTIP will have an exercise price equal to the Placing Price which has been agreed with HMRC as not less than the market value of an Ordinary Share for the purpose of granting options qualifying for favourable UK tax treatment. The methodology for determining the market value of an Ordinary Share for all future grants of tax advantaged options under the LTIP has been agreed with HMRC, so that the Company may use the middle market closing price on the trading day immediately preceding the date of grant as derived from the London Stock Exchange.

The maximum dilution to the enlarged issued share capital pursuant to the Share Option Schemes, over a ten year period from Admission, is 10 per cent.

SAYE Scheme

The Company has adopted the SAYE Scheme which is intended to satisfy the requirements of Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003. All employees of the Group will be eligible to participate in the SAYE Scheme subject to completing a minimum period of service if required by the Board. The Company currently intends that the first invitations under the SAYE Scheme will be made following Admission with the initial savings contracts commencing before the end of 2016.

Further details of the LTIP and SAYE Scheme are set out in paragraph 6 of Part 4 of this document. Details of initial options granted under the LTIP are set out in paragraph 3.11 of Part 4 of this document.

Further details of these share incentive arrangements are contained in paragraph 6 of Part 4 of this document.

TAXATION

General information relating to UK taxation with regard to Admission and Placing is summarised in paragraph 11 of Part 4 of this document. **Any person who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than that of the UK, should consult his or her professional advisers.**

FURTHER INFORMATION

Your attention is drawn to the additional information in Parts 2 to 5 of this document.

PART 2

RISK FACTORS

An investment in the Company involves significant risks and is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may be equal to the entire amount invested) which may result from such an investment. Prospective investors should carefully review and evaluate the risks and the other information contained in this document before making a decision to invest in the Company. If in any doubt prospective investors should immediately seek their own personal financial advice from their independent professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities or other advisers such as legal advisers and accountants.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results and/or future operations could be materially and adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

Prospective investors should be aware that the value of the Ordinary Shares and the income from them may go down as well as up and that they may not be able to realise their initial investment. There can be no guarantee that the Group's business objectives will be achieved.

Risks relating to the Group

The Group's market share and business position may be adversely affected by economic, political and market factors beyond the Group's control

Many factors affect the level of consumer spending in the overall food and beverage and gifting markets, including interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, the availability of customer credit, taxation, stock market performance, unemployment and other matters that influence consumer confidence. The performance of the Group may decline during recessionary periods or in other periods where one or more macro-economic factors, or potential macro-economic factors, negatively affect the level of consumer spending or the amount that consumers spend on discretionary food, drink and gifts.

The Group competes in the United Kingdom, Denmark and internationally (via online sales) against other national and international chocolatiers, confectionery companies and cafés, as well as many regional and local businesses. The Group also competes on a broader scale with the UK gifting market. The Group may experience increased competition from existing or new companies in the confectionery segment and/or gifting market, which might require the Group to grow its business in order to maintain its market share. If the Group is unable to maintain its competitive position, it could experience downward pressure on prices, lower demand for its products, reduced margins, an inability to take advantage of new business opportunities and a loss of market share, all of which would have an adverse impact on the Group's business, financial and other conditions, profitability and results of operations. The Group also competes with other businesses for management, hourly paid employees and suitable real estate sites. Difficulty in securing suitable management, hourly employees and sites for new stores could have a material adverse effect on the Group's prospects, results of operations and financial condition.

The Group's sales are subject to seasonality

The Group's store and online sales volume experiences significant seasonal fluctuations. Products sold during the UK's major holiday seasons such as Christmas and Easter account for a significant portion of the Group's overall revenue. Accordingly, a decrease in the level of sales during key holiday seasons would likely have a material adverse effect on the Group's prospects, results of operations and financial condition. Such adverse effects would likely be amplified if marketing efforts such as packaging and promotions during major holiday seasons were not well received by consumers.

Demand for the Group's products may be adversely affected by changes in consumer preferences

Consumer preferences, perceptions and spending habits may shift due to a variety of factors that are difficult to predict and over which the Group has no control (including lifestyle, nutritional and health considerations). While the Directors believe that a number of prevailing trends benefit the Group's business (including an increasing propensity towards less sugary foods), any significant changes in consumer preferences or any failure to anticipate and react to such changes could result in reduced demand for the Group's products and weaken its competitive position and, therefore, could have a material adverse effect on the Group's prospects, results of operations and financial condition.

A failure to implement the Group's strategy of growing its estate of stores may have an adverse impact on its business, financial and other conditions, profitability and results of operations

The Group intends to pursue further store rollouts in the UK on a selective basis in areas which offer the Group growth opportunities. However, there is no guarantee that the Group will be able to locate or secure a sufficient number of appropriate sites to meet its growth and financial targets. It is possible each site may take some time from its opening date to reach profitable operating levels due to inefficiencies typically associated with new sites, including lack of customer awareness, competition, the need to hire and train sufficient staff and other factors. The Company cannot guarantee that the Group will be able to achieve its expansion goals or that the new sites will be operated profitably. This may adversely impact on the Group's ability to increase turnover and operating profits and may also damage the Group's brand. The success of the planned expansion will depend on numerous factors, many of which are beyond the Company's control, including the following:

- the ability to identify and secure available and suitable sites on an economic basis;
- the ability to secure all necessary operating approvals and licences in a timely manner and in a satisfactory form;
- the extent of the competition for sites and in markets in new locations generally;
- the ability to conclude a lease on acceptable terms and costs associated with this;
- the ability to fit out new sites at an economic cost;
- delays in the timely development of all sites; and
- general economic conditions.

Changes in the cost of raw materials and other supplies could adversely affect the Group's profitability

An increase in any of the Group's operating costs may negatively affect the Group's profitability. Factors such as food costs, fuel and delivery costs and inflation may adversely affect the Group's operating costs. Most of the factors affecting costs are beyond the Group's control and, in many cases, the Group may not be able to pass along these increased costs to its customers. Most ingredients used in the Group's chocolates and cocoa related products, including cocoa and sugar, are commodities and therefore subject to price fluctuations as a result of seasonality, weather, demand and other factors. The Group makes forward purchase commitments for cocoa in order to fix prices for the next 18 months, however the Group has no control over fluctuations in the longer term price and availability of ingredients or variations in products caused by the above factors. Although the Group has not experienced significant problems with its suppliers in the past, its suppliers may implement significant price increases or may not meet the Group's requirements in a timely fashion, if at all, and alternative supplies may not be available or available on commercially acceptable terms. Any increases in food, raw materials and other costs could have a material adverse effect on the Group's prospects, results of operations and financial condition.

Changes in the cost of labour could adversely affect the Group's profitability

An increase in labour and employee benefit costs may adversely affect the Group's operating costs. The Group is dependent upon an available labour pool of employees in the UK and Denmark. A shortage in the labour pool or other general inflationary pressures or changes will also increase the Group's labour costs. Any increases in labour costs could have a material adverse effect on the Group's prospects, results of operations and financial condition.

Key Personnel

The Group depends on the services of its key management personnel and, in particular, on the services of the Group's founders, Angus Thirlwell and Peter Harris. The loss of services of key personnel, the inability to attract, retain and integrate suitably qualified personnel or delays in hiring required personnel, could delay the achievement of the Group's development objectives and have an adverse impact on the Group's prospects, results of operations and financial condition.

The Group's stores are leased. Increases in rental payments or the early termination of any of the Group's leases, or the failure to renew or extend the terms of any of the Group's leases or the default by licensees or assignees, could adversely affect the Group's profitability

The Group's operating performance depends in part on its ability to secure leases in desired locations at rents it believes to be reasonable. The Group currently leases all of its stores for a typical term of 10 years or fewer. The Directors seek to negotiate commercially acceptable terms and a tenant-only break clause is typically sought at the mid-point of the lease period. Any substantial increase in the rent paid by the Group on its stores could adversely affect the Group's business, financial and other conditions, profitability and results of operations. Termination of any of the Group's leases could harm the results of the Group's operations. Although the Group believes that it will be able to renew its existing leases, it can offer no assurances that it will succeed in obtaining extensions in the future, or that any such extensions will be at rental rates that the Group believes to be reasonable.

The Group's failure to comply with existing or increased regulations, or the introduction of changes to existing regulations, could adversely affect its business, financial and other conditions, profitability and results of operations

The Group's products are subject to various laws, regulations and standards in each of the jurisdictions in which products are sold. The Group is also subject to various UK and EU regulations governing the Group's relationship with employees, including such matters as the treatment of part-time or agency workers, employers' National Insurance Contributions, overtime and other working conditions. A failure to comply with one or more regulations could result in the imposition of sanctions, including financial penalties and/or the closing of facilities for an indeterminate period of time or third party litigation, any of which could have a material adverse effect on the Group's prospects, results of operations and financial condition.

Additionally, a change in duty, VAT or other tax regimes applicable to the Group's business may result in uncertainty, disruption to operations and/or implementation costs which the Group may not be able to pass on to its customers or which may lead to higher prices being charged to customers, thereby making discretionary spending on food and beverage less attractive and leading to a decline in sales.

The Group is dependent on a primary supplier for its liquid chocolate and failure to secure supply on acceptable terms could materially adversely affect the Group's business and operating results

The Group sources the majority of its liquid chocolate, made to exclusive recipes, from a single supplier, Barry Callebaut. Whilst the supply relationship has been in place for over 10 years, not only is the supplier able to produce supplies at multiple locations, but there are alternate suppliers available. An event leading to the sudden or unforeseen loss of supply could materially adversely affect the Group's ability to produce the required volume of finished goods for sales and, accordingly, its prospects, financial condition and its ability to develop its business.

The Group's operating results may be adversely affected by disruption to its in-house or outsourced production, storage and distribution operations

The Group relies on one freehold factory site that functions as the production facility for 95 per cent. of the Group's products. The Group also leases a distribution warehouse that is used as a central distribution centre for the Group's UK stores and for online sales. Although the Group has not experienced a material disruption at its production facility or distribution warehouse in the past, any sudden high-impact event at either facility leading to a reduction, interruption or closure of operations would likely have a material adverse effect on the Group's performance. The remaining 5 per cent. of the Group's products are supplied by third parties and relate to alcohol, beauty products, the cuisine range and hollow shapes (eg Easter eggs) as the

Group does not currently have the machinery to accommodate in-house production of these products. Although the Group has long standing relationships with these suppliers, the Group's business would be adversely affected if there were a significant disruption to the supply of these products. In the event of the insolvency of any one of the Group's outsourced production providers, or any other termination of such operations, the Group may not be able to arrange for alternative production, on as favourable terms, or with sufficient speed to ensure continuity of business, or at all. Further, if there were a technical failure, fire, or any other event resulting in a major or prolonged disruption at any of the facilities used by the Group's service providers, this could result in a significant loss in production capacity and significant costs and/or regulatory action, legal liability or damage to the Group's reputation, all of which could have a material adverse effect on the Group's prospects, results of operations and financial condition. Although the Group carries insurance, not all risks may be covered by its policies, and any insurance coverage available may be insufficient to cover some or all costs.

The Group's business may be adversely affected by a breakdown of its information technology systems or a failure to develop those systems

The Group is reliant upon its information technology systems to enable it to manage a growing business and to service its online customers. Information systems are used across all aspects of the Group's business including sales forecasting, recipe databases, production planning, stock control, accounting and digital sales. The Group's business would be adversely affected by a material or sustained breakdown in its key information systems. In such circumstances there would be a risk that issues took time to be highlighted, resulting in delayed resolution and a risk that more management time was required to be invested generally. A sustained breakdown in the Group's key information technology systems would likely have an adverse impact on the Group's financial performance and customer service.

Negative publicity relating to the Group could harm customer support for the Group's brand and adversely affect its prospects, results of operations and financial condition

The success of the Group's brand depends upon the positive image that consumers have of the brand, in particular in relation to the Group's ethos of originality, authenticity and ethics. The Group may receive negative publicity relating to food quality, store facilities, trading practices and other allegations that may be beyond the Group's control. Adverse publicity may negatively affect the Group, regardless of whether the allegations are valid or whether the Group is at fault. The negative impact of adverse publicity could adversely affect the Group's reputation and brand image, which may have a material adverse effect on the Group's prospects, results of operations and financial condition.

Inconsistent quality or contamination of the Group's products could harm the integrity of, or customer support for, the Group's brand and products, and adversely affect sales

A lack of consistency in the quality of products or contamination of the Group's products, whether occurring accidentally or through deliberate action, could harm the integrity of, or consumer support for, the brand and could adversely affect sales. A widespread product recall may negatively impact the reputation of the affected product or the Group's brand for a period of time depending on product availability, competitive reaction and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, resulting negative publicity could adversely affect the Group's reputation and brand image, which may have a material adverse effect on the Group's prospects, results of operations and financial condition.

The Group may not be able to protect its intellectual property adequately, which could harm the value of its brand and adversely affect its prospects, results of operations and financial condition

The Group depends in large part on its brand and believes that it is very important to its business. The Group relies on its trademarks to protect its brand. The success of the Group's business depends, in part, on its continued ability to use its existing trademarks in order to increase brand awareness. The Group owns and licenses trademarks (for, among other things, its product and brand names and packaging) and other intellectual property rights (including know-how and trade secrets) that are important to its business and competitive position. The Group cannot ensure that third parties will not infringe on or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group

owns and licenses. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks or block sales of its products by alleging a breach of their trademarks and intellectual property. Applications filed by the Group in respect of new trademarks may not be granted. If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could materially adversely affect the Group's brand strength and, accordingly, its prospects, results of operations and financial condition and its ability to develop its business.

The Group is exposed to foreign currency exchange rate risk that could affect operating results and comparability of results between financial reporting periods

The Group is subject to foreign currency exchange risk in its transactions with non-UK suppliers. In particular, the Group is exposed to foreign currency movements through its purchase of large volumes of ingredients from its key suppliers, the majority of which are paid for in Euros. While the Group has historically hedged exposure to this risk, there can be no guarantee that the Group would be able to compensate for, or hedge against, such adverse effects and therefore exchange rate movements could have a material adverse effect on the Group's prospects, results of operations and financial condition.

Saint Lucia

The Group produces some of its cocoa on its plantation in Saint Lucia, sources beans from other Saint Lucian growers and operates a hotel, spa and restaurant on the plantation. The Saint Lucian operations are important to the brand and also provide an understanding of cocoa growing. In FY15 Saint Lucia accounted for less than 2 per cent. of Group revenue and gross profits. The island is subject to the risk of hurricanes, which have historically occurred on 16 occasions in the last 166 years. The Rabot estate is located in an area of potential seismic and volcanic activity. The last eruption on Saint Lucia occurred in 1766, the University of West Indies reports that "this area is still potentially active and the island can therefore expect volcanic eruptions in the future." There is a risk that weather events or geological activity could cause damage either to the business or the infrastructure on the island which might adversely impact tourist visitor numbers resulting in a reduction in revenue for a period of time. External events including crime or disease could reduce the number of tourists choosing to visit Saint Lucia which could reduce hotel revenues and profits.

The Saint Lucia estate has been independently valued by a third party. Property and property-related assets are inherently subjective as regards to value due to the individual nature of each property. As a result, property and property-related valuations are subject to uncertainty. The valuation of the Saint Lucia estate is made on the basis of certain assumptions which may not prove to reflect the true position. The property market is affected by many factors, such as general economic conditions, interest rates and other factors, including investor or buyer supply and demand of comparable properties that are beyond the Group's control. Any material decline in the value of the Saint Lucia estate in the future may require the Group to partially or completely write down the value of the property and therefore could have a material adverse effect on the Group's prospects, results of operations and financial condition.

Corporate and Partners

The Group sells to a number of wholesale clients. The Group operates a dedicated sales team servicing corporate demand. The sales are made as a series of individual orders rather than supplying under an ongoing contractual arrangement. There is a risk that a change in external economic environment or customer demand or competitor activity might reduce the number of orders placed, this could materially adversely affect the Group's operations and financial condition.

Consolidation of Distribution Arrangements

The Group intends to consolidate all of its packing and distribution operations into its existing main facility at St Neots Cambridge. A detailed implementation plan is being prepared with a target implementation date of Summer 2017. In the event that the implementation does not proceed to plan, or results in sustained operational disruption, including reduced product availability or the inability to deliver customer orders which would adversely affect the Group's prospects, financial condition and its ability to develop its business.

Capital investments for expansion

The Group intends to increase the scale of its activities by a number of means including the investment of capital in its factory, its distribution centre, opening new stores and refitting some existing stores, and in improvements to IT systems. Projects are evaluated based on estimated costs and returns, however there is a risk that these cost estimates may prove to be inaccurate and/or the benefits of the project may not be realised. In addition there is a risk that some projects may give rise to unintended adverse impacts that could materially adversely affect the Group's brand strength and, accordingly, its prospects, results of operations and financial condition and its ability to develop its business.

Provisions made by the Group in respect of tax for historic periods may not be sufficient

The Group has made provisions in its accounts for tax payable in respect of historic periods (including the periods for which historic financial information is presented in this document, as well as prior periods). Although tax returns have been filed with HMRC in respect of all such periods, the relevant periods in which HMRC may challenge aspects of such filings may not yet have passed. The Directors have taken appropriate professional advice and are satisfied that the basis on which returns have been filed and provisions have been made are appropriate and prudent. However, there is no certainty that HMRC will agree with the judgments and assumptions made in any tax returns. In such event, the Group may have to set aside additional cash to pay tax in respect of prior periods which could have an adverse impact on the Group's financial position.

Risks relating to the Ordinary Shares

Suitability

Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult a person duly authorised under the FSMA who specialises in investments of this nature before making any investment decisions.

Volatility in the price of Ordinary Shares

The Placing Price has been agreed between the Board and Liberum and may not be indicative of the market price for the Ordinary Shares following Admission. The subsequent market price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors that are unrelated to the Group's operating performance such as variations in operating results, changes in financial estimates, recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, market perceptions of the Group, new reports relating to trends in the Company's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes, national and global economic conditions and various other factors and event. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

The price at which the Ordinary Shares will be traded and the price at which investors may realise these investments will be influenced by a large number of factors, some not specific to the Group and its operations. Furthermore, there is no guarantee that the market price of an Ordinary Share will accurately reflect its underlying value.

No prior trading market for Ordinary Shares

Prior to the Admission, there was no public market for the Ordinary Shares. Admission to trading on AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. The Company cannot predict the extent to which investor interest in the Ordinary Shares will lead to the development of a trading market. The liquidity of a securities market is often a function of the volume of the underlying Ordinary Shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for Ordinary Shares.

Future issues of Ordinary Shares may result in dilution of existing Shareholders

The Company may decide to issue additional Ordinary Shares in the future in subsequent public offerings or private placements to fund expansion and development. If existing Shareholders do not subscribe for additional Ordinary Shares on a pro rata basis in accordance with their existing shareholdings, this will dilute their existing interests in the Company. Furthermore, the issue of additional Ordinary Shares may be on more favourable terms than the Placing Shares. The issue of additional Ordinary Shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline and may make it more difficult for Shareholders to sell Ordinary Shares at a desirable time or price. There is no guarantee that market conditions prevailing at the relevant time will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at a price which is equal to or in excess of the Placing Price.

Future performance of the Company cannot be guaranteed

There is no certainty and no representation or warranty is given by any person that the Company will be able to achieve any returns referred to in this document. The financial operations of the Company may be adversely affected by general economic conditions or by the particular financial condition of other parties doing business with the Company.

There is no guarantee that the Company will maintain its quotation on AIM

The Company cannot assure investors that the Company will always retain a quotation on AIM. If the Company fails to do so, certain investors may decide to sell their Ordinary Shares, which could have an adverse impact on the share price. Additionally, if in the future the Company decides to obtain a listing on another exchange, in addition to AIM or as an alternative, this may affect the liquidity of the Ordinary Shares traded on AIM.

Share price effect of sales of Ordinary Shares

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by certain Shareholders following the expiry of the relevant lock-in periods, details of which are set out in Parts 1 and 4 of this document, or the expectation or belief that sales of such shares may occur.

The Company may not be able to pay dividends

The dividend policy of the Company is dependent upon its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time and on the continued health of the markets in which it operates. There can be no guarantee that the Company will pay dividends in the foreseeable future.

Higher risk for shares traded on AIM than on the Official List

Application has been made for the Ordinary Shares to be admitted to trading on AIM, a market designated primarily for emerging or smaller companies. The AIM Rules for Companies are less onerous than those of the Official List and an investment in shares that are traded on AIM is likely to carry a higher risk than an investment in shares listed on the Official List.

Legislation and tax status

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation and in particular in tax status and tax residence of the Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

Taxation

The attention of potential investors is drawn to paragraph 11 of Part 4 of this document headed "United Kingdom Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life. Any change in the Company's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Company or the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change. Current and potential investors are strongly recommended to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decision in respect of Ordinary Shares.

Conditionality of the Placing

The Placing is conditional upon, among other things, Admission. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, Admission (and therefore the Placing) will not occur.

Interest of major Shareholders

On Admission, the Founders will hold, in aggregate, 66.6 per cent. of the Enlarged Share Capital. The Founders will be able to exercise significant influence over the Company and the Group's operations, business strategy and those corporate actions that require the approval of the Shareholders. Together, the Founders will be able to prevent a takeover of the Company. In order to regulate the relationship between the Founders and the Company, the Founders have, however, each entered into a relationship agreement with the Company, details of which are set out in paragraph 10.2 of Part 4 of this document.

PART 3

FINANCIAL INFORMATION ON THE GROUP

SECTION A: ACCOUNTANT'S REPORT



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Newark Close
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5 May 2016

Dear Sirs

Hotel Chocolat Group plc (the “Company”) and its subsidiary undertakings (together, the “Group”)

Introduction

We report on the financial information set out in Section B of Part 3. This financial information has been prepared for inclusion in the admission document dated 5 May 2016 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

We have not audited or reviewed the financial information for the six months ended 28 December 2014 which has been included for comparative purposes only and accordingly do not express an opinion thereon.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and

disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 30 June 2013, 29 June 2014, 28 June 2015 and 27 December 2015 and of its results, cash flows and changes in equity for the years ended 30 June 2013, 29 June 2014 and 28 June 2015 and the six months ended 27 December 2015 in accordance with the basis of preparation set out in note 2 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP
Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

SECTION B: HISTORICAL FINANCIAL INFORMATION ON THE GROUP

Combined Statement of Comprehensive Income

	Notes	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
		<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
		£	£	£	£	£
Revenue	3	68,864,598	75,178,037	82,613,520	48,771,041	55,674,279
Cost of sales		<u>(23,565,541)</u>	<u>(26,687,126)</u>	<u>(28,211,268)</u>	<u>(16,343,549)</u>	<u>(18,482,200)</u>
Gross profit		45,299,057	48,490,911	54,402,252	32,427,492	37,192,079
Expenses						
– Administrative expenses	4	<u>(41,614,384)</u>	<u>(52,744,093)</u>	<u>(50,911,481)</u>	<u>(26,865,516)</u>	<u>(27,892,919)</u>
		3,684,673	(4,253,182)	3,490,771	5,561,976	9,299,160
– Finance income	7	1,869	143	153	–	16
– Finance expenses	7	<u>(356,386)</u>	<u>(512,075)</u>	<u>(719,808)</u>	<u>(429,136)</u>	<u>(528,098)</u>
Profit/(loss) before tax from continuing operations		3,330,156	(4,765,114)	2,771,116	5,132,840	8,771,078
Tax (expense)/credit	8	<u>(1,246,331)</u>	<u>1,083,930</u>	<u>(884,209)</u>	<u>(1,113,000)</u>	<u>(1,782,000)</u>
Profit/(loss) after tax from continuing operations		<u>2,083,825</u>	<u>(3,681,184)</u>	<u>1,886,907</u>	<u>4,019,840</u>	<u>6,989,078</u>
Discontinued operations						
Loss for the year from discontinued operations	9	(1,806,444)	(2,335,578)	–	–	–
Profit/(loss) for the year		277,381	(6,016,762)	1,886,907	4,019,840	6,989,078
Other comprehensive income:						
– currency translation differences		<u>143,296</u>	<u>(1,173,533)</u>	<u>412,675</u>	<u>267,208</u>	<u>428,960</u>
Total comprehensive income/(loss) for the year		<u><u>420,677</u></u>	<u><u>(7,190,295)</u></u>	<u><u>2,299,582</u></u>	<u><u>4,287,048</u></u>	<u><u>7,418,038</u></u>
Earnings/(loss) per share from continuing operations	10	<u>19.5</u>	<u>(34.4)</u>	<u>18.5</u>	<u>39.4</u>	<u>68.5</u>
Earnings/(loss) per share from all operations	10	<u><u>2.6</u></u>	<u><u>(56.2)</u></u>	<u><u>18.5</u></u>	<u><u>39.4</u></u>	<u><u>68.5</u></u>

Combined statement of financial position

	Notes	Audited			Unaudited	Audited
		As at 30 June 2013	As at 29 June 2014	As at 28 June 2015	As at 28 Dec 2014	As at 27 Dec 2015
		£	£	£	£	£
ASSETS						
Current assets						
Cash and cash equivalents	11	4,263,501	4,975,685	5,155,370	3,436,747	14,365,792
Trade and other receivables	12	6,264,973	6,589,240	5,236,840	4,601,607	6,358,286
Corporation tax recoverable		–	952,873	166,709	–	–
Inventories	13	5,430,319	3,958,486	4,533,328	4,946,433	6,160,423
		<u>15,958,793</u>	<u>16,476,284</u>	<u>15,092,247</u>	<u>12,984,787</u>	<u>26,884,501</u>
Non-current assets						
Property, plant and equipment	15	17,523,359	19,468,128	18,147,060	19,032,648	19,676,023
Intangible assets	16	1,987,381	1,512,191	1,553,433	1,487,074	1,452,623
Deferred tax asset	20	–	240,019	215,993	228,721	194,342
		<u>19,510,740</u>	<u>21,220,338</u>	<u>19,916,486</u>	<u>20,748,443</u>	<u>21,322,988</u>
Total assets		<u>35,469,533</u>	<u>37,696,622</u>	<u>35,008,733</u>	<u>33,733,230</u>	<u>48,207,489</u>
LIABILITIES						
Current liabilities						
Trade and other payables	17	11,335,858	13,333,372	12,660,581	14,925,888	16,448,753
Borrowings	19	691,963	723,613	954,521	1,181,675	1,857,347
Corporation tax payable	17	1,925,953	–	–	329,909	1,573,564
Other taxes payable	17	448,110	1,994,746	1,437,115	4,903,853	5,751,016
Bank overdraft	11	8,004,549	13,931,197	10,637,314	803,026	2,199,586
Provisions	18	–	–	–	–	73,932
		<u>22,406,433</u>	<u>29,982,928</u>	<u>25,689,531</u>	<u>22,144,351</u>	<u>27,904,198</u>
Non-current liabilities						
Provisions	18	945,708	939,715	668,898	861,048	487,344
Borrowings	19	5,797,517	7,723,393	7,298,718	7,390,197	11,046,193
Deferred tax liabilities	20	78,994	–	–	–	–
		<u>6,822,219</u>	<u>8,663,108</u>	<u>7,967,616</u>	<u>8,251,245</u>	<u>11,533,537</u>
Total liabilities		<u>29,228,652</u>	<u>38,646,036</u>	<u>33,657,147</u>	<u>30,395,596</u>	<u>39,437,735</u>
NET ASSETS		<u>6,240,881</u>	<u>(949,414)</u>	<u>1,351,586</u>	<u>3,337,634</u>	<u>8,769,754</u>
Equity attributable to shareholders						
Share capital	21	107,078	107,078	103,418	102,000	103,548
Retained earnings		5,767,256	(249,506)	1,637,401	3,770,334	8,626,479
Translation reserve	22	143,296	(1,030,237)	(617,562)	(763,029)	(188,602)
Merger reserve	22	223,251	223,251	223,251	223,251	223,251
Capital redemption reserve	22	–	–	5,078	5,078	5,078
Total equity		<u>6,240,881</u>	<u>(949,414)</u>	<u>1,351,586</u>	<u>3,337,634</u>	<u>8,769,754</u>

Combined statement of cash flow

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks</i>	<i>52 weeks</i>	<i>52 weeks</i>	<i>26 weeks</i>	<i>26 weeks</i>
	<i>ended 30</i>	<i>ended 29</i>	<i>ended 28</i>	<i>ended 28</i>	<i>ended 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
<i>Notes</i>	£	£	£	£	£
Cash flows from operating activities					
Profit/loss for the year from continuing operations	3,330,156	(4,765,114)	2,771,116	5,132,840	8,771,078
Profit/loss for the year from discontinued operations	(1,806,444)	(2,335,578)	–	–	–
Adjusted by:					
Depreciation 15	2,599,596	3,718,544	4,292,323	2,140,898	1,357,410
Impairment of PPE 15	–	126,000	131,998	–	–
Amortisation of intangible assets 16	213,277	404,289	194,542	62,060	362,230
Net interest expense	354,517	511,932	719,655	429,136	528,082
Loss on disposal of PPE and intangibles	–	1,120,188	–	–	–
Operating profit/loss before working capital changes	4,691,102	(1,219,739)	8,109,634	7,764,934	11,018,800
(Increase)/decrease in inventories	(1,572,715)	1,471,833	(574,843)	(987,947)	(1,627,095)
(Increase)/decrease in trade and other receivables	623,649	(1,070,380)	1,137,067	2,022,336	(1,398,492)
Increase/(decrease) in trade and other payables and provisions	(222,910)	3,527,666	(911,387)	4,660,006	8,768,187
Cash inflow generated from operations	3,519,126	2,709,380	7,760,471	13,459,329	16,761,400
Interest received	34	143	–	–	–
Income tax paid	(381,732)	(2,113,909)	(74,019)	378,080	13,925
Interest paid – finance leases and hire purchase loans	(36,212)	(51,905)	(31,654)	–	–
Interest paid – bank loans	(159,108)	(288,037)	(593,801)	(371,438)	(543,575)
Cash inflow from operating activities	2,942,108	255,672	7,060,997	13,465,971	16,231,750
Investing activities					
Purchase of PPE	(4,076,980)	(6,968,817)	(3,111,338)	(1,718,502)	(2,829,162)
Purchase of intangible assets	(585,325)	(490,331)	(235,784)	(289,756)	(349,860)
	(4,662,305)	(7,459,148)	(3,347,122)	(2,008,258)	(3,179,022)
Financing activities					
(Buy back)/issue of Chocolate Bonds	(52,000)	2,418,500	406,500	425,000	(123,000)
Capital element of HP and finance leases repaid	(84,756)	(300,558)	(439,850)	(219,925)	(219,525)
Repayment of bank loan	(160,417)	(160,416)	(160,416)	(80,209)	4,993,226
Buy-back of shares	–	–	(3,660)	(3,660)	–
Cash flows (used in)/ from financing activities	(297,173)	1,957,526	(197,426)	121,206	4,650,701
Net change in cash and cash equivalents before foreign currency movements	(2,017,370)	(5,245,950)	3,516,449	11,578,919	17,703,429
Foreign currency movements	2,679	31,487	(42,881)	10,314	(55,278)
Net change in cash and cash equivalents for the period	(2,014,690)	(5,214,464)	3,473,568	11,589,233	17,648,150
Cash and cash equivalents at the beginning of the period	(1,726,358)	(3,741,048)	(8,955,512)	(8,955,512)	(5,481,944)
Cash and cash equivalents at the end of the period	(3,741,048)	(8,955,512)	(5,481,944)	2,633,721	12,166,206

Combined statement of changes in equity

	<i>Share capital</i> £	<i>Retained earnings</i> £	<i>Translation reserve</i> £	<i>Merger reserve</i> £	<i>Capital redemption reserve</i> £	<i>Total</i> £
Equity as at 1 July 2012	107,078	5,489,875	–	223,251	–	5,820,204
Profit for the year	–	277,381	–	–	–	277,381
Translation differences	–	–	143,296	–	–	143,296
Equity as at 30 June 2013	107,078	5,767,256	143,296	223,251	–	6,240,881
Loss for the year	–	(6,016,762)	–	–	–	(6,016,762)
Translation differences	–	–	(1,173,533)	–	–	(1,173,533)
Equity as at 29 June 2014	107,078	(249,506)	(1,030,237)	223,251	–	(949,414)
Profit for the period	–	4,019,840	–	–	–	4,019,840
Capital redemption	(5,078)	–	–	–	5,078	–
Translation differences	–	–	267,208	–	–	267,208
Equity as at 28 December 2014	102,000	3,770,334	(763,029)	223,251	5,078	3,337,634
Loss for the period	–	(2,132,933)	–	–	–	(2,132,933)
Shares issued in the period	1,418	–	–	–	–	1,418
Translation differences	–	–	145,467	–	–	145,467
Equity as at 28 June 2015	103,418	1,637,401	(617,562)	223,251	5,078	1,351,586
Profit for the period	–	6,989,078	–	–	–	6,989,078
Shares issued in the period	130	–	–	–	–	130
Translation differences	–	–	428,960	–	–	428,960
Equity as at 27 December 2015	<u>103,548</u>	<u>8,626,479</u>	<u>(188,602)</u>	<u>223,251</u>	<u>5,078</u>	<u>8,769,754</u>

Notes to the combined financial information

1. General information

Hotel Chocolat Group plc (the “Company”) is a limited company incorporated and domiciled in England and Wales. The registered office of the Company is Mint House, Newark Close, Royston, Hertfordshire, SG8 5HL, United Kingdom. The registered company number is 08612206. A list of all of the Company’s subsidiaries is presented in Note 14.

The Group’s principal activities are that of the manufacture and retail of chocolate in the United Kingdom and overseas.

The Directors of Hotel Chocolat Group plc are responsible for the consolidated financial information and contents of the AIM admission document in which it is included.

2. Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The historical financial information represents consolidated historical financial information for the Company and its subsidiaries (the “Group”), combined with historical financial information for Hotel Chocolat Estates Ltd, a company under common management and control for each of the three full year periods ended 30 June 2013, 29 June 2014 and 28 June 2015 as well as the interim periods to 27 December 2015 and 28 December 2014. The results for Hotel Chocolat Estates Ltd have been included as if the Company were a member of the Group throughout the period.

The combined 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, with the exception of the accounting treatment for the inclusion within this financial information of the financial information of Hotel Chocolat Estates Ltd.

Although representing a departure from formal IFRS, the treatment applied above is based on the conventions used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR2000 (Investment Reporting Standards applicable to Public Reporting Engagements on Historical Financial Information) issued by the UK Auditing Practices Board.

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. These are listed below:

<i>Standard/interpretation</i>	<i>Content</i>	<i>Applicable for financial years beginning on/after</i>
IFRS 9 Financial Instruments (2009) and amendment	IFRS 9 'Financial instruments' is effective for periods commencing on or after 1 January 2018 subject to endorsement by the EU. IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting.	1 January 2018
IFRS 15 Revenue from Contracts with Customers	IFRS 15, 'Revenues from Contracts with Customers', replaces IAS 18, 'Revenues', and introduces a five step approach to revenue recognition based on performance obligations in customer contracts. The International Accounting Standards Board ('IASB') has proposed to issue some clarifications and to defer the standard's effective date of 1 January 2017 to 1 January 2018. The effective date for the Group is also subject to EU endorsement.	1 January 2018
IFRS 16 Leases	IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.	1 January 2019

The impact of the adoption of the Standards listed above has not yet been assessed.

Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and all of its subsidiary undertakings. The financial information of all Group companies is adjusted, where necessary, to ensure the use of consistent accounting policies. Except for the business combination described below, acquisitions are accounted for under the acquisition method from the date control passes to the Group. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

During the period ended 29 June 2014, the Company was incorporated and undertook a share for share exchange with the result that the companies listed in Note 14 became direct and indirect subsidiaries of the Company. This has been accounted for under the conventions used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR2000. The results of such a subsidiary are included for the whole period in the year it joins the Group. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to the merger reserve. This treatment has also been adopted for the accounting of the related entity, Hotel Chocolat Estates Ltd, which meets the common control requirements of SIR 2000 but not of IFRS.

Going concern

The Directors have prepared a cash flow forecast covering a period extending beyond 18 months from the financial information presented as at December 2015.

The Directors have taken into account the historical positive cash flows, growth in business and the inherent risks and uncertainties facing the business, and have derived forecast assumptions that are the Directors' best estimate of the future development of the business. The forecasts and projections, which take into account the projected trading performance of companies within the Group's combined bank facilities, show that the Group will be able to operate within the level of its current facilities. On 27 April 2016 the Group renegotiated a two-year, bilateral revolving credit facility (RCF) for £18 million. On this basis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the consolidated financial information. The financial information does not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Revenue recognition

Revenue is the total amount receivable by the Group for goods and services supplied, excluding VAT and trade discounts.

Revenue arising from the sale of goods is recognised when the risks and rewards of owning the product has been transferred to the buyer at the point of sale, which is generally on delivery. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that the future economic benefit will flow to the entity. This applies to sales through the website, in stores or through the Chocolate Tasting Club.

Operating profit

Operating profit is stated after all expenses, including those considered to be exceptional, but before finance income or expenses. Exceptional items are items of income or expense which because of their nature or size require separate presentation to allow shareholders to better understand the financial performance of the year and allow comparison with prior periods.

Foreign currency translation

The Group's financial information is presented in sterling, which is also the parent company's functional currency.

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Combined Statement of Comprehensive Income.

(b) Group companies

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities at each period within the Combined Statement of Financial Position presented are translated at the closing rate at the date of the Combined Statement of Financial Position.
- income and expenses for each period within the Combined Statement of Comprehensive Income are translated at the rate of exchange at the transaction date. Where this is not possible, the average rate for the period is used but only if there is no significant fluctuation in the rate; and
- on consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve as a separate component of equity.

Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the income account. The Group also contributes to the personal pension plans of the Directors at the Group's discretion.

Leases

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rentals applicable to operating leases are charged against profits on a straight line basis over the period of the lease.

- Onerous lease provisions relate to the present value of the obligation under a lease where the unavoidable costs of the lease exceed the economic benefit expected to be received from it.
- Dilapidation provisions relate to potential rectification costs expected should the Group vacate any of its retail locations.

Hire purchase agreements and finance leases

Assets held under hire purchase agreements and finance leases are capitalised and disclosed under property, plant and equipment at cost. The capital element of the future payments is treated as a liability and the interest element is charged to the income statement on a straight line basis.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is provided to write off cost, less estimated residual values, of all property, plant and equipment, except for investment properties and freehold land, evenly over their expected useful lives, calculated at the following rates:

Leasehold property	Over the remaining lease term
Plant and machinery	20 per cent. straight line
Fixtures, fittings, equipment, computer software and hardware	20 per cent. straight line
Freehold property	2 per cent. straight line

As no finite useful life for land can be determined, related carrying amounts are not depreciated. The useful life, the residual value and the depreciation method are assessed annually.

During the accounting period ended 27 December 2015, management reviewed its estimates on the economic useful life of tangible assets. Management now estimates that the useful life of assets is as follows:

Leasehold property	Over the remaining lease term
Plant and machinery	5 to 10 years on a straight line basis
Fixtures, fittings, equipment, computer software and hardware	5 to 10 years on a straight line basis
Freehold property	50 years on a straight line basis

The application of this change is from 29 June 2015 and has not been retrospectively applied.

The impact of these changes in the accounting period to 27 December 2015 is a reduction in the depreciation charge of £627,529.

The carrying value of the property, plant and equipment is compared to the higher of value in use and the fair value less costs to sell. If the carrying value exceeds the higher of the value in use and fair value less the costs to sell the asset then the asset is impaired and its value reduced by recognising an impairment provision.

Intangible assets

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised.

Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial period following acquisition and at the end of every subsequent financial period.
- in other periods if events or changes in circumstances indicate that the carrying value may not be receivable

Website development costs where Group companies’ websites are expected to generate future revenues in excess of the costs of developing those websites, together with expenditure on the functionality of the website, is capitalised and treated as an intangible asset. Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred.

Software which is not an integral part of hardware assets are stated at historical cost, including expenditure that is directly attributable to the acquired item, less accumulated amortisation and impairment losses.

Amortisation is provided to write off cost, less estimated residual values, of all intangible assets, except for goodwill, evenly over their expected useful lives, calculated at the following rates:

Software	20 per cent. straight line
Website development costs	20 per cent. straight line

During the accounting period ended 27 December 2015, management reviewed its estimates on the economic useful life of intangible assets. Management now estimates that the useful life of assets is as follows:

Software	– 3 years on a straight line basis
Website development costs	– 3 years on a straight line basis

The application of this change is from 29 June 2015 and has not been retrospectively applied. The impact of these changes in the accounting period to 27 December 2015 is an increase in the amortisation charge of £205,820.

Inventories

Inventories are carried at the lower of cost or net realisable value. The costs of raw materials, consumables, work in progress and finished goods are measured by means of weighted average cost using standard costing techniques. Cost of finished goods comprises direct production costs such as raw materials, consumables, utilities and labour, and production overheads such as employee costs, maintenance and indirect factory costs. Standard costs are reviewed regularly in order to ensure relevant measures of utilisation, production lead-time and appropriate levels of manufacturing expense are reflected in the standards.

Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell. Due allowance is made for obsolete and slow moving items.

Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value charged through the Combined Statement of Comprehensive Income), are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in the Combined Statement of Comprehensive Income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) *Impairment of non-financial assets*

The carrying values of intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in the Combined Statement of Comprehensive Income immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Combined Statement of Comprehensive Income immediately.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Combined Statement of Financial Position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer and Chief Financial Officer.

The Board considers that the Group's activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the Group by reference to total results against budget.

The total profit measures are operating profit and profit for the period, both disclosed on the face of the Combined Statement of Comprehensive Income. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial information.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months. The Group's bank facilities are provided under a group facility.

Equity

Equity comprises the following:

- Share capital: the nominal value of equity shares
- Capital redemption reserve
- Merger reserve
- Translation reserve
- Retained earnings

Chocolate Bonds

The Chocolate Tasting Club plc, a subsidiary of the Company, has issued two chocolate bonds which pay a return in boxes of luxury chocolates and one where the return is in the way of a Hotel Chocolat gift card. For the bonds with a return in the form of luxury chocolates, the coupon is fixed by number of boxes and can be only settled by the delivery of chocolate. At inception, the net cash proceeds received for the bond are recognised as a liability. Each year, the cost value of the chocolates is recognised as an interest expense.

For the bond where there is a return paid by way of a Hotel Chocolat gift card which can be redeemed at Hotel Chocolat stores, cafés, restaurants and online, there is a fixed rate of interest. At inception, the net cash proceeds received for the chocolate bonds are recognised as a liability. Each year the fixed interest rate paid is recognised as an interest expense.

Financial instruments

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through the income statement, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

The Group classifies all its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group's loans and receivables financial assets comprise trade and other receivables and cash and cash equivalents included in the Combined Statement of Financial Position.

Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through the income statement.

The fair value through the income statement category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. There were no financial liabilities classified under this category.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for distribution.

Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

- *Useful lives of depreciable assets*
Management reviews the useful lives of depreciable assets at each reporting date to ensure that the useful lives represent a reasonable estimate of likely period of benefit to the Group. Actual useful lives, however, may vary due to unforeseen events.
- *Impairment*
IFRS requires management to undertake an annual test for impairment of indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:
 - growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;

- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares financial budgets on an annual basis, and monitors predicted financial performance and cash flow on a rolling monthly basis. These budgets and analyses are used in the calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

- *Valuation of intangible assets*

The determination of the fair value of assets and liabilities including goodwill arising on the acquisition of businesses, website development expenditure and software, which is expected to generate future economic benefits, is based, to a considerable extent, on management's judgement.

The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Allocation of the purchase price affects the results of the Group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite life and finite life intangible assets.

3. Revenue

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Sale of goods					
– from continuing operations	68,864,598	75,178,037	82,613,520	48,771,041	55,674,279
– from discontinued operations	1,998,555	2,124,800	–	–	–
Total revenue	70,863,153	77,302,837	82,613,520	48,771,041	55,674,279

Segmental analysis

The Group operates in three main geographical areas: UK, Europe and Rest of World. The Board of Directors monitors revenue on this basis.

Revenue for each of the geographical areas is as follows:

	<i>United Kingdom</i> £	<i>Europe</i> £	<i>Rest of World</i> £	<i>Total</i> £
Revenue by location				
For the year ended 30 June 2013				
Continuing operations	64,802,517	2,763,699	1,298,382	68,864,598
Discontinued operations	–	213,479	1,785,076	1,998,555
Total for 52 weeks ended 30 June 2013	64,802,517	2,977,178	3,083,458	70,863,153
For the year ended 29 June 2014				
Continuing operations	70,156,225	3,425,035	1,596,777	75,178,037
Discontinued operations	–	118,876	2,005,924	2,124,800
Total for 52 weeks ended 29 June 2014	70,156,225	3,543,911	3,602,701	77,302,837
For the year ended 28 June 2015				
Continuing operations	76,179,842	4,481,888	1,951,790	82,613,520
Discontinued operations	–	–	–	–
Total for 52 weeks ended 28 June 2015	76,179,842	4,481,888	1,951,790	82,613,520
For period ended 28 December 2014				
Continuing operations	46,613,677	1,277,272	880,092	48,771,041
Discontinued operations	–	–	–	–
Total for 26 weeks ended 28 December 2014	46,613,677	1,277,272	880,092	48,771,041
For period ended 27 December 2015				
Continuing operations	53,666,537	1,208,447	799,295	55,674,279
Discontinued operations	–	–	–	–
Total for 26 weeks ended 27 December 2015	<u>53,666,537</u>	<u>1,208,447</u>	<u>799,295</u>	<u>55,674,279</u>

Continuing and discontinued operations

	<i>Turnover</i> £	<i>Operating profit/(loss)</i> £	<i>Net assets/ (liabilities)</i> £
For the year ended 30 June 2013			
Continuing operations	68,864,598	3,684,673	5,130,150
Discontinued operations	1,998,555	(1,806,444)	1,110,731
	<hr/>	<hr/>	<hr/>
Total for 52 weeks ended 30 June 2013	70,863,153	1,878,229	6,240,881
For the year ended 29 June 2014			
Continuing operations	75,178,037	(4,253,182)	(1,362,819)
Discontinued operations	2,124,800	(2,335,578)	413,405
	<hr/>	<hr/>	<hr/>
Total for 52 weeks ended 29 June 2014	77,302,837	(6,588,760)	(949,414)
For the year ended 28 June 2015			
Continuing operations	82,613,520	3,490,771	1,351,586
Discontinued operations	–	–	–
	<hr/>	<hr/>	<hr/>
Total for 52 weeks ended 28 June 2015	82,613,520	3,490,771	1,351,586
For period ended 28 December 2014			
Continuing operations	48,771,041	5,561,976	3,337,634
Discontinued operations	–	–	–
	<hr/>	<hr/>	<hr/>
Total for 26 weeks ended 28 December 2014	48,771,041	5,561,976	3,337,634
For period ended 27 December 2015			
Continuing operations	55,674,279	9,299,160	8,769,754
Discontinued operations	–	–	–
	<hr/>	<hr/>	<hr/>
Total for 26 weeks ended 27 December 2015	<u>55,674,279</u>	<u>9,299,160</u>	<u>8,769,754</u>

Non-current assets not held in the United Kingdom and Europe amounted to £6,147,156 in the period ended 27 December 2015 (28 December 2014: £5,948,696; 28 June 2015: £5,852,796; 29 June 2014: £5,437,144; 30 June 2013: £5,781,268).

4. Profit/(loss) from operations

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Profit/(loss) is stated after charging/crediting:					
Staff costs (see note 5)	18,110,731	21,998,559	22,475,360	11,487,490	12,577,222
Amortisation of intangible assets	213,277	404,289	194,542	62,060	362,230
Depreciation of property, plant and equipment	2,599,595	3,718,544	4,288,326	2,140,897	1,357,409
Operating leases:					
– Property	6,636,123	7,314,266	7,865,974	3,988,630	4,197,701
– Plant and equipment	109,259	144,764	185,133	67,092	109,146
Auditor's remuneration:					
– Audit fees	70,937	79,769	76,200	65,960	38,100
– Non-audit fees: taxation compliance services	72,015	82,959	111,494	32,257	66,351
– Non-audit fees: other taxation advisory	84,540	53,040	71,283	19,771	23,313
Impairment of property, plant and equipment	–	126,000	131,998	–	–
Loss on disposal of property, plant and equipment and intangible assets	–	1,082,405	–	–	–
Exchange differences	(156,529)	87,946	(281,005)	3,210	84,669
Exceptional items	315,000	332,000	–	–	–
Bad debt expense	227,501	94,640	43,015	58,803	37,422
	<u>18,110,731</u>	<u>21,998,559</u>	<u>22,475,360</u>	<u>11,487,490</u>	<u>12,577,222</u>

5. Staff costs

The average number of employees (including directors) during each period was as follows:

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
Production staff	175	165	158	160	155
Administrative staff	614	777	782	775	848
Total	<u>789</u>	<u>942</u>	<u>940</u>	<u>935</u>	<u>1,003</u>

The cost of employees (including directors) during each period was as follows

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Wages and salaries	16,507,076	19,981,227	20,584,822	10,507,615	11,604,166
Social security costs	1,597,655	1,924,154	1,753,381	907,218	898,941
Pension costs	6,000	93,178	137,157	72,657	74,115
	<u>18,110,731</u>	<u>21,998,559</u>	<u>22,475,360</u>	<u>11,487,490</u>	<u>12,577,222</u>

6. Remuneration of key management personnel

Key management personnel represent those personnel which hold a statutory directorship of a company within the Group. Directors' emoluments and benefits include:

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Salaries and bonuses	1,079,943	1,033,036	1,254,500	531,767	436,000
Social security costs	142,746	136,079	149,300	71,716	81,111
Pension contributions	6,000	8,715	12,018	6,030	5,180
Other benefits	38,902	56,822	14,322	11,346	2,276
Total	1,267,591	1,234,652	1,430,140	620,859	524,567

7. Finance income and expenses

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Interest on bank deposits	34	143	–	–	16
Other income	1,835	–	153	–	–
Finance income	1,869	143	153	–	16
Interest on bank borrowings	136,050	288,037	400,902	207,812	359,810
Finance leases and hire purchase contracts	36,212	51,905	31,654	17,564	15,668
Interest from related party	22,803	–	–	–	–
Finance charges on Chocolate Bonds	161,321	172,133	287,252	203,760	152,620
Finance expense	356,386	512,075	719,808	429,136	528,098

8. Taxation

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
UK corporation tax	1,171,313	27,500	887,114	999,000	1,753,000
Adjustment in respect of previous periods	(26,846)	(780,146)	(26,931)	–	–
Overseas corporation tax	–	–	–	102,000	8,000
Total current tax charge	1,144,467	(752,646)	860,183	1,101,000	1,761,000
Deferred tax:					
Adjustment in respect of previous periods	–	–	–	–	(50,000)
Origination and reversal of timing differences	101,864	(331,284)	24,026	12,000	71,000
Total tax expense/(credit)	1,246,331	(1,083,930)	884,209	1,113,000	1,782,000

Factors affecting the current tax charge/(credit):

The tax assessed on the profit/(loss) for the period is different to the standard rate of corporation tax in the UK. The differences are explained below:

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Profit on ordinary activities before income tax	1,523,712	(7,100,692)	2,771,116	5,132,840	8,771,078
Weighted average standard rate of corporation tax	23.75%	22.50%	20.75%	20.75%	20.00%
Profit for the year multiplied by the standard rate of corporation tax	361,882	(1,597,656)	575,007	1,065,000	1,754,000
Effects of:					
Expenses not deductible for tax purposes	41,214	56,796	27,487	–	–
Income not subject to tax	–	(324,653)	–	–	–
Adjustment in respect of previous periods	(27,500)	(780,077)	(27,381)	–	–
Losses carried back	–	540,890	–	–	–
Permanent depreciation	177,000	267,000	237,000	87,000	64,000
Adjust deferred tax for change in tax rate	(4,000)	63,000	(2,000)	(1,000)	15,000
Movement to unrecognised deferred tax	697,735	690,770	74,096	(38,000)	(51,000)
Tax expense/(credit)	1,246,331	(1,083,930)	884,209	1,113,000	1,782,000

The Group's effective tax rate for the period ended 27 December 2015 was 20.3% (28 December 2014: 21.7 per cent.; 28 June 2015: 31.9 per cent.; 29 June 2014: 15.3 per cent.; 30 June 2013: 81.8 per cent.). The effective rate is an amalgamation of UK, European and US rates for the periods reported. The change from year to year has been particularly affected by the availability of loss reliefs and the recognition of deferred tax assets.

The Group had utilised its tax losses at 27 December 2015 (28 December 2014: £ nil). The Group had the following tax losses to carry forward against future profits at 28 June 2015: £217,000 (29 June 2014: £650,000; 30 June 2013: £12,000). The tax value of such losses amounted to approximately £43,000, £130,000 and £2,000 at 28 June 2015, 29 June 2014 and 30 June 2013, respectively. The tax losses had no expiry date and have been recognised as a deferred tax asset. The tax losses had arisen between 2013 and 2015.

9. Discontinued operations

In March 2014 and September 2014, decisions were made that the Group would cease to trade in the Netherlands and USA respectively.

The results of the discontinued operations, which have been included in the Combined Statement of Comprehensive Income, were as follows:

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Revenue	1,998,555	2,124,800	–	–	–
Expenses	(3,804,999)	(4,460,378)	–	–	–
Loss before tax	(1,806,444)	(2,335,578)	–	–	–
Attributable tax expense	–	–	–	–	–
Profit/loss on disposal of discontinued operations	–	–	–	–	–
Loss after tax from discontinued operations	<u>(1,806,444)</u>	<u>(2,335,578)</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the year ended 29 June 2014 £254,423 (30 June 2013: £495,406) was paid in respect of the Group's operating cash flow from discontinued operations. £Nil was paid in respect of investing and financing activities in both periods ended 29 June 2014 and 30 June 2013.

10. Earnings/(loss) per share

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Basic					
Profit/(loss) for the year after tax from all operations	277,381	(6,016,762)	1,886,907	4,019,840	6,989,078
Result for the year from discontinued operations	<u>(1,806,444)</u>	<u>(2,335,578)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit/(loss) for the year after tax from continuing operations	2,083,825	(3,681,184)	1,886,907	4,019,840	6,989,078
Weighted average number of shares in issue for the period (number)	10,707,842	10,707,842	10,200,040	10,200,040	10,200,040
Earnings/(loss) per share from all operations (pence)	2.6	(56.2)	18.5	39.4	68.5
Earnings/(loss) per share from continuing operations (pence)	<u>19.5</u>	<u>(34.4)</u>	<u>18.5</u>	<u>39.4</u>	<u>68.5</u>

11. Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i> <i>June 2013</i> £	<i>As at 29</i> <i>June 2014</i> £	<i>As at 28</i> <i>June 2015</i> £	<i>As at 28</i> <i>Dec 2014</i> £	<i>As at 27</i> <i>Dec 2015</i> £
Cash and cash equivalents	4,263,501	4,975,685	5,155,370	3,436,747	14,365,792
Bank overdraft	(8,004,549)	(13,931,197)	(10,637,314)	(803,026)	(2,199,586)
	<u>(3,741,048)</u>	<u>(8,955,512)</u>	<u>(5,481,944)</u>	<u>2,633,721</u>	<u>12,166,206</u>

The bank overdraft is secured by a charge over the Group's assets and cross guarantees. The interest rate charged until 4 October 2014 was 2 per cent. over base rate. On 5 October 2014, the interest rate was increased to 3.85 per cent. over base rate and subsequently reduced to 3.15 per cent. over base rate on 1 July 2015. Following the repayment of the loan in March 2016, the interest rate on the overdraft facility was reduced to 2 per cent. over base rate.

12. Trade and other receivables

There were no material receivables which were past due but not impaired at the end of any period.

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i> <i>June 2013</i> £	<i>As at 29</i> <i>June 2014</i> £	<i>As at 28</i> <i>June 2015</i> £	<i>As at 28</i> <i>Dec 2014</i> £	<i>As at 27</i> <i>Dec 2015</i> £
Trade receivables	828,287	1,513,016	717,661	2,107,388	2,614,222
Other receivables	1,417,061	1,216,053	93,959	66,889	85,483
Prepayments and accrued income	4,019,625	3,860,171	4,425,220	2,427,330	3,658,581
	<u>6,264,973</u>	<u>6,589,240</u>	<u>5,236,840</u>	<u>4,601,607</u>	<u>6,358,286</u>

13. Inventories

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i> <i>June 2013</i> £	<i>As at 29</i> <i>June 2014</i> £	<i>As at 28</i> <i>June 2015</i> £	<i>As at 28</i> <i>Dec 2014</i> £	<i>As at 27</i> <i>Dec 2015</i> £
Raw materials	2,547,129	1,522,915	1,025,109	1,304,153	1,949,694
Finished goods	2,883,190	2,435,571	3,508,219	3,642,280	4,210,729
	<u>5,430,319</u>	<u>3,958,486</u>	<u>4,533,328</u>	<u>4,946,433</u>	<u>6,160,423</u>

14. Investment in subsidiaries

The Group's operating subsidiaries as at 27 December 2015 are as follows:

<i>Name</i>	<i>Principal activities</i>	<i>Country of business/ incorporation</i>	<i>Proportion of ordinary shares directly held by parent</i>	<i>Proportion of ordinary shares held by the Group</i>
Direct holding				
HOTC Limited	Holding Company	England & Wales	100%	
Hotel Chocolat Limited	Manufacturer and Distributer of chocolates	England & Wales	100%	
The Chocolate Tasting Club PLC	Chocolate Retailer	England & Wales	100%	
HC International Limited	Holding Company	Malta	100%	
Hotel Chocolat USA Inc	Holding Company	USA	100%	
Indirect holdings				
Hotel Chocolat Retail Limited	Chocolate Retailer	England & Wales		100%
Hotel Chocolat Stores Limited	Chocolate Distributor	England & Wales		100%
Rabot Estate UK Limited	Chocolate Retailer and Restaurateur	England & Wales		100%
Hotel Chocolat Europe Limited	Chocolate Retailer	England & Wales		100%
Hotel Chocolat Corporate Limited	Dormant	England & Wales		100%
HCIP Limited	Trademark Holder	Malta		100%
HC Sales Limited	Holding Company	Malta		100%
CTC Distribution GmbH	Chocolate Distributer	Switzerland		100%
Chocolate Tasting Club Inc	Chocolate Distributer	USA		100%
Hotel Chocolat Inc	Chocolate Retailer	USA		100%
HC RF Inc	Property Holding Company	USA		100%
Almondhill Properties Limited	Property Holding Company	England & Wales		100%
Apricohill Properties Limited	Property Holding Company	England & Wales		100%
Applehill Properties Limited	Property Holding Company	England & Wales		100%
Bananahill Properties Limited	Property Holding Company	England & Wales		100%
Braeburnhill Properties Limited	Property Holding Company	England & Wales		100%
Bramleyhill Properties Limited	Property Holding Company	England & Wales		100%
Brazilnuthill Properties Limited	Property Holding Company	England & Wales		100%
Cashewhill Properties Limited	Property Holding Company	England & Wales		100%
Chestnuthill Properties Limited	Property Holding Company	England & Wales		100%
Colanuthill Properties Limited	Property Holding Company	England & Wales		100%
Crispinhill Properties Limited	Property Holding Company	England & Wales		100%
Croftonhill Properties Limited	Property Holding Company	England & Wales		100%
Datehill Properties Limited	Property Holding Company	England & Wales		100%
Dulcethill Properties Limited	Property Holding Company	England & Wales		100%
Gingerhill Properties Limited	Property Holding Company	England & Wales		100%
Grapehill Properties Limited	Property Holding Company	England & Wales		100%
Groundnuthill Properties Limited	Property Holding Company	England & Wales		100%
Guavahill Properties Limited	Property Holding Company	England & Wales		100%
Hazelnuthill Properties Limited	Property Holding Company	England & Wales		100%
Hotel Chocolat DK Limited	Property Holding Company	England & Wales		100%
Hotel Chocolat NL Limited	Property Holding Company	England & Wales		100%
Kiwihill Properties Limited	Property Holding Company	England & Wales		100%
Lemonhill Properties Limited	Property Holding Company	England & Wales		100%
Limehill Properties Limited	Property Holding Company	England & Wales		100%
Macadamiahill Properties Limited	Property Holding Company	England & Wales		100%
Mandarinhill Properties Limited	Property Holding Company	England & Wales		100%
Mangohill Properties Limited	Property Holding Company	England & Wales		100%
Melonhill Properties Limited	Property Holding Company	England & Wales		100%
Olivehill Properties Limited	Property Holding Company	England & Wales		100%
Orangehill Properties Limited	Property Holding Company	England & Wales		100%
Papayahill Properties Limited	Property Holding Company	England & Wales		100%
Peachhill Properties Limited	Property Holding Company	England & Wales		100%
Peanuthill Properties Limited	Property Holding Company	England & Wales		100%
Pearhill Properties Limited	Property Holding Company	England & Wales		100%

<i>Name</i>	<i>Principal activities</i>	<i>Country of business/ incorporation</i>	<i>Proportion of ordinary shares directly held by parent</i>	<i>Proportion of ordinary shares held by the Group</i>
Pearmainhill Properties Limited	Property Holding Company	England & Wales		100%
Pecanhill Properties Limited	Property Holding Company	England & Wales		100%
Pinenuthill Properties Limited	Property Holding Company	England & Wales		100%
Pippinhill Properties Limited	Property Holding Company	England & Wales		100%
Plumhill Properties Limited	Property Holding Company	England & Wales		100%
Raisinhill Properties Limited	Property Holding Company	England & Wales		100%
Russethill Properties Limited	Property Holding Company	England & Wales		100%
Satsumahill Properties Limited	Property Holding Company	England & Wales		100%
Sloehill Properties Limited	Property Holding Company	England & Wales		100%
Walnuthill Properties Limited	Property Holding Company	England & Wales		100%

15. Property, plant and equipment

	<i>Freehold property</i> £	<i>Leasehold property</i> £	<i>F&F, Equipment, Computer SW and HW</i> £	<i>Plant & machinery</i> £	<i>Total</i> £
For the year ended 30 June 2013					
<i>Cost:</i>					
As at 1 July 2012	7,602,670	730,248	12,715,825	5,878,068	26,926,811
Additions	630,270	–	2,115,062	2,911,965	5,657,297
Disposals	–	–	(2,602)	–	(2,602)
Translation differences	124,931	–	22,339	–	147,270
As at 30 June 2013	<u>8,357,871</u>	<u>730,248</u>	<u>14,850,624</u>	<u>8,790,033</u>	<u>32,728,776</u>
<i>Accumulated depreciation and impairment losses:</i>					
As at 1 July 2012	342,346	730,248	7,456,569	4,059,986	12,589,149
Depreciation charge	108,071	–	1,576,420	915,104	2,599,595
Impairments	–	–	–	–	–
Translation differences	5,578	–	11,095	–	16,673
As at 30 June 2013	<u>455,995</u>	<u>730,248</u>	<u>9,044,084</u>	<u>4,975,090</u>	<u>15,205,417</u>
<i>Net book value</i>					
As at 30 June 2013	<u>7,901,876</u>	<u>–</u>	<u>5,806,540</u>	<u>3,814,943</u>	<u>17,523,359</u>
For the year ended 29 June 2014					
<i>Cost:</i>					
As at 30 June 2013	8,357,871	730,248	14,850,624	8,790,033	32,728,776
Additions	498,904	4,751	5,350,718	1,114,444	6,968,817
Disposals	–	–	(110,109)	(561,232)	(671,341)
Translation differences	(591,683)	–	(116,548)	–	(708,231)
As at 29 June 2014	<u>8,265,092</u>	<u>734,999</u>	<u>19,974,685</u>	<u>9,343,245</u>	<u>38,318,021</u>

	<i>Freehold property</i> £	<i>Leasehold property</i> £	<i>F&F, Equipment, Computer SW and HW</i> £	<i>Plant & machinery</i> £	<i>Total</i> £
<i>Accumulated depreciation and impairment losses:</i>					
As at 30 June 2013	455,995	730,248	9,044,084	4,975,090	15,205,417
Depreciation charge	115,487	158	2,071,381	1,531,518	3,718,544
Disposals	–	–	(110,109)	–	(110,109)
Impairments	–	–	126,000	–	126,000
Translation differences	(27,978)	–	(61,981)	–	(89,959)
As at 29 June 2014	<u>543,504</u>	<u>730,406</u>	<u>11,069,375</u>	<u>6,506,608</u>	<u>18,849,893</u>
<i>Net book value</i>					
As at 29 June 2014	<u>7,721,588</u>	<u>4,593</u>	<u>8,905,310</u>	<u>2,836,637</u>	<u>19,468,128</u>
For period ended 28 December 2014					
<i>Cost:</i>					
As at 29 June 2014	8,265,092	734,999	19,974,685	9,343,245	38,318,021
Additions	133,637	–	1,017,166	55,590	1,206,393
Disposals	–	–	–	–	–
Translation differences	503,188	–	79,272	–	582,460
As at 28 December 2014	<u>8,901,917</u>	<u>734,999</u>	<u>21,071,123</u>	<u>9,398,835</u>	<u>40,106,874</u>
<i>Accumulated depreciation and impairment losses:</i>					
As at 29 June 2014	543,504	730,406	11,069,375	6,506,608	18,849,893
Depreciation charge	59,024	475	1,453,061	628,337	2,140,897
Impairments	–	–	–	–	–
Translation differences	28,787	–	54,649	–	83,436
As at 28 December 2014	<u>631,315</u>	<u>730,881</u>	<u>12,577,085</u>	<u>7,134,945</u>	<u>21,074,226</u>
<i>Net book value</i>					
As at 28 December 2014	<u>8,270,602</u>	<u>4,118</u>	<u>8,494,038</u>	<u>2,263,890</u>	<u>19,032,648</u>
For period ended 28 June 2015					
<i>Cost:</i>					
As at 28 December 2014	8,901,917	734,999	21,071,123	9,398,835	40,106,874
Additions	83,424	–	1,251,249	113,800	1,448,473
Translation differences	(57,638)	–	(68,332)	–	(125,970)
As at 28 June 2015	<u>8,927,703</u>	<u>734,999</u>	<u>22,254,040</u>	<u>9,512,635</u>	<u>41,429,377</u>
<i>Accumulated depreciation and impairment losses:</i>					
As at 28 December 2014	631,315	730,881	12,577,085	7,134,945	21,074,226
Depreciation charge	62,172	475	1,539,764	545,018	2,147,429
Impairments	–	–	131,998	–	131,998
Translation differences	(3,431)	–	(67,905)	–	(71,336)
As at 28 June 2015	<u>690,056</u>	<u>731,356</u>	<u>14,180,942</u>	<u>7,679,963</u>	<u>23,282,317</u>
<i>Net book value</i>					
As at 28 June 2015	<u>8,237,647</u>	<u>3,643</u>	<u>8,073,098</u>	<u>1,832,672</u>	<u>18,147,060</u>

	<i>Freehold property</i> £	<i>Leasehold property</i> £	<i>F&F, Equipment, Computer SW and HW</i> £	<i>Plant & machinery</i> £	<i>Total</i> £
For period ended 27 December 2015					
<i>Cost:</i>					
As at 28 June 2015	8,927,703	734,999	22,254,040	9,512,635	41,429,377
Additions	69,827	–	1,208,234	1,253,690	2,531,751
Disposals	–	–	–	–	–
Translation differences	373,287	–	56,975	–	430,262
As at 27 December 2015	<u>9,370,817</u>	<u>734,999</u>	<u>23,519,249</u>	<u>10,766,325</u>	<u>44,391,390</u>
<i>Accumulated depreciation and impairment losses:</i>					
As at 28 June 2015	690,056	731,356	14,180,942	7,679,963	23,282,317
Depreciation charge	63,326	475	871,799	421,809	1,357,409
Impairments	–	–	–	–	–
Translation differences	26,682	–	48,959	–	75,641
As at 27 December 2015	<u>780,064</u>	<u>731,831</u>	<u>15,101,700</u>	<u>8,101,772</u>	<u>24,715,367</u>
<i>Net book value</i>					
As at 27 December 2015	<u>8,590,753</u>	<u>3,168</u>	<u>8,417,549</u>	<u>2,664,553</u>	<u>19,676,023</u>

Included above are assets held under finance leases and hire purchase agreements which, as at 27 December 2015, had a net book value of £706,749 (28 December 2014: £1,032,941; 28 June 2015: £869,845; 29 June 2014: £1,196,037; 30 June 2013: £1,522,229).

16. Intangible assets

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30 June 2013</i> £	<i>As at 29 June 2014</i> £	<i>As at 28 June 2015</i> £	<i>As at 28 Dec 2014</i> £	<i>As at 27 Dec 2015</i> £
Goodwill arising on consolidation (Note (a))	683,534	683,534	683,534	683,534	683,534
Computer software and website (Note (b))	1,303,847	828,657	869,899	803,540	769,089
	<u>1,987,381</u>	<u>1,512,191</u>	<u>1,553,433</u>	<u>1,487,074</u>	<u>1,452,623</u>

(a) Goodwill arising on consolidation

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30 June 2013</i> £	<i>As at 29 June 2014</i> £	<i>As at 28 June 2015</i> £	<i>As at 28 Dec 2014</i> £	<i>As at 27 Dec 2015</i> £
(a) Goodwill arising on consolidation	683,534	683,534	683,534	683,534	683,534

The recoverable amount of the goodwill has been determined on a value in use basis. This has been based on the performance of the business and management's forecasts, which assume that the business will perform at least as well as the market generally. The forecasts take into account management's experience and are discounted at a pre-tax rate of 10 per cent.

(b) **Computer software and website costs**

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 28</i>	<i>As at 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
	£	£	£	£	£
<i>(b) Computer software and website costs</i>					
<i>Cost:</i>					
At beginning of period	1,347,310	1,932,135	1,416,314	1,416,314	1,652,098
Additions	584,825	490,331	235,784	36,943	261,420
Disposals	–	(1,006,152)	–	–	–
End of period	<u>1,932,135</u>	<u>1,416,314</u>	<u>1,652,098</u>	<u>1,453,257</u>	<u>1,913,518</u>
<i>Amortisation:</i>					
At beginning of period	415,011	628,288	587,657	587,657	782,199
Amortisation charge	213,277	404,289	194,542	62,060	362,230
Disposals	–	(444,920)	–	–	–
End of period	<u>628,288</u>	<u>587,657</u>	<u>782,199</u>	<u>649,717</u>	<u>1,144,429</u>
<i>Net book value</i>	<u><u>1,303,847</u></u>	<u><u>828,657</u></u>	<u><u>869,899</u></u>	<u><u>803,540</u></u>	<u><u>769,089</u></u>

17. Trade and other payables

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 28</i>	<i>As at 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
	£	£	£	£	£
Trade payables	8,028,122	5,722,873	4,430,772	4,248,010	3,821,292
Corporation tax payable	1,925,953	–	–	329,909	1,573,564
Other taxes payable	448,110	1,994,746	1,437,115	4,903,853	5,751,016
Other payables	1,438,168	3,160,736	3,415,204	2,739,220	3,338,365
Accruals	1,869,568	4,449,763	4,814,605	7,938,658	9,289,096
Total trade and other payables	<u><u>13,709,921</u></u>	<u><u>15,328,118</u></u>	<u><u>14,097,696</u></u>	<u><u>20,159,650</u></u>	<u><u>23,773,333</u></u>

18. Provisions

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 28</i>	<i>As at 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
	£	£	£	£	£
Current					
Onerous lease provision	–	–	–	–	73,932
	–	–	–	–	73,932
Non-current					
Onerous lease provision	417,580	339,750	192,143	214,434	–
Lease dilapidations provision	528,128	599,965	476,755	646,614	487,344
	<u><u>945,708</u></u>	<u><u>939,715</u></u>	<u><u>668,898</u></u>	<u><u>861,048</u></u>	<u><u>487,344</u></u>

The onerous lease provision relates to the present value of the obligation under a lease where the unavoidable costs of the lease exceed the economic benefit expected to be received from it.

The dilapidations provision relates to potential rectification costs expected should the Group vacate its retail locations.

	<i>Onerous lease provision</i> £	<i>Lease dilapidation provision</i> £	<i>Totals</i> £
For the year ended 30 June 2013			
At beginning of period	553,000	453,704	1,006,704
Provided through profit and loss	–	74,424	74,424
Utilised during the period	(135,420)	–	(135,420)
At end of period	417,580	528,128	945,708
For the year ended 29 June 2014			
At beginning of period	417,580	528,128	945,708
Provided through profit and loss	57,600	71,837	129,437
Utilised during the period	(135,430)	–	(135,430)
At end of period	339,750	599,965	939,715
For period ended 28 December 2014			
At beginning of period	339,750	599,965	939,715
(Released)/provided through profit and loss	(125,316)	46,649	(78,667)
At end of period	214,434	646,614	861,048
For period ended 28 June 2015			
At beginning of period	214,434	646,614	861,048
Released through profit and loss	(22,291)	(341,894)	(364,185)
Amounts capitalised during the period	–	172,035	172,035
At end of period	192,143	476,755	668,898
For period ended 27 December 2015			
At beginning of period	192,143	476,755	668,898
Provided through profit and loss	–	10,589	10,589
Utilised during the period	(118,211)	–	(118,211)
At end of period	73,932	487,344	561,276

Provisions for onerous leases and dilapidations are inherently uncertain in terms of quantum and timing, not least because they involve negotiations with landlords at future dates. The figures provided in the financial information represent management's best estimate of the likely outflows to the Group.

19. Borrowings

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 28</i>	<i>As at 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
	£	£	£	£	£
Current					
Finance and lease HP liabilities	403,546	403,196	397,750	403,196	397,350
Bank loan	160,417	160,417	556,771	636,979	1,349,997
Chocolate Bonds	128,000	160,000	–	141,500	110,000
	691,963	723,613	954,521	1,181,675	1,857,347
Non-current					
Finance and lease HP liabilities	1,176,330	876,122	441,718	656,197	222,193
Bank loan	717,187	556,771	–	–	4,200,000
Chocolate Bonds	3,904,000	6,290,500	6,857,000	6,734,000	6,624,000
	5,797,517	7,723,393	7,298,718	7,390,197	11,046,193
Total Borrowings	6,489,480	8,447,006	8,253,239	8,571,872	12,903,540

	<i>Finance and lease HP liabilities</i> £	<i>Bank loan</i> £	<i>Chocolate Bonds</i> £	<i>Totals</i> £
Maturity of debt				
<i>For period ended 30 June 2013</i>				
In one year or less or on demand	403,546	160,417	128,000	691,963
In more than one year but not more than two years	403,546	160,417	–	563,963
In more than two years but not more than five years	772,784	481,251	3,904,000	5,158,035
In more than five years	–	75,519	–	75,519
Total borrowings	1,579,876	877,604	4,032,000	6,489,480
<i>For period ended 29 June 2014</i>				
In one year or less or on demand	403,196	160,417	160,000	723,613
In more than one year but not more than two years	403,546	160,417	–	563,963
In more than two years but not more than five years	472,576	396,354	6,290,500	7,159,430
Total borrowings	1,279,318	717,188	6,450,500	8,447,006
<i>For period ended 28 June 2015</i>				
In one year or less or on demand	397,750	556,771	–	954,521
In more than two years but not more than five years	441,718	–	6,857,000	7,298,718
Total borrowings	839,468	556,771	6,857,000	8,253,239
<i>For period ended 28 December 2014</i>				
In one year or less or on demand	403,196	636,979	141,500	1,181,675
In more than one year but not more than two years	397,350	–	–	397,350
In more than two years but not more than five years	258,847	–	6,734,000	6,992,847
Total borrowings	1,059,393	636,979	6,875,500	8,571,872
<i>For period ended 27 December 2015</i>				
In one year or less or on demand	397,350	1,349,997	110,000	1,857,347
In more than one year but not more than two years	222,193	1,400,000	–	1,622,193
In more than two years but not more than five years	–	2,800,000	6,624,000	9,424,000
Total Borrowings	619,543	5,549,997	6,734,000	12,903,540

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 6.72 per cent. and 7.33 per cent.

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 in July of the same year. For the chocolate bonds issued in June 2010, where notice has been given, the amount repayable is shown within current liabilities. The remaining bonds for which notice has not yet been given are shown within non-current liabilities. The first notice date for the chocolate bonds issued in June 2014 will be January 2017 and therefore all amounts are shown within non-current liabilities. Both bonds are unsecured.

The bank loans are secured by a charge over the Group's assets and cross guarantees. In July 2015, a new loan was agreed on which interest is charged at 3.85 per cent. over base rate, for all previous periods interest was charged at 2.5 per cent. over base rate. The bank loan was repaid in March 2016.

The 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 1.97 per cent.

20. Deferred income tax asset/(liabilities)

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30 June 2013</i>	<i>As at 29 June 2014</i>	<i>As at 28 June 2015</i>	<i>As at 28 Dec 2014</i>	<i>As at 27 Dec 2015</i>
	£	£	£	£	£
Deferred taxation asset	–	240,019	215,993	228,721	194,342
Deferred taxation liability	(78,994)	–	–	–	–
	<u>(78,994)</u>	<u>240,019</u>	<u>215,993</u>	<u>228,721</u>	<u>194,342</u>

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30 June 2013</i>	<i>As at 29 June 2014</i>	<i>As at 28 June 2015</i>	<i>As at 28 Dec 2014</i>	<i>As at 27 Dec 2015</i>
	£	£	£	£	£

Reconciliation of deferred tax balances

Balance at beginning of period	22,870	(78,994)	240,019	240,019	215,993
Deferred tax expense/(credit) for the period	(101,864)	319,013	–	(11,298)	(21,651)
Currency translation differences	–	–	(24,026)	–	–
Balance at end of the period	<u>(78,994)</u>	<u>240,019</u>	<u>215,993</u>	<u>228,721</u>	<u>194,342</u>

21. Share capital

	<i>Audited</i>						<i>Unaudited</i>		<i>Audited</i>	
	<i>As at 30 June 2013</i>	<i>As at 29 June 2014</i>	<i>As at 28 June 2015</i>	<i>As at 28 June 2015</i>	<i>As at 28 June 2015</i>	<i>As at 28 Dec 2014</i>	<i>As at 27 Dec 2015</i>	<i>As at 27 Dec 2015</i>	<i>As at 27 Dec 2015</i>	
	Shares	£	Shares	£	Shares	£	Shares	£	Shares	
Alloted, called up and fully paid:										
Ordinary shares of £0.01 each	10,200,040	102,000	10,200,040	102,000	10,200,040	102,000	10,200,040	102,000	10,200,040	
B shares of £0.01 each	110,949	1,109	110,949	1,109	–	–	–	–	–	
C shares of £0.01 each	110,946	1,109	110,946	1,109	–	–	–	–	–	
D shares of £0.01 each	142,955	1,430	142,955	1,430	–	–	–	–	–	
E shares of £0.01 each	142,952	1,430	142,952	1,430	–	–	–	–	–	
GS1 shares of 0.001p each	–	–	–	–	3,298,500	330	–	–	3,298,500	
GS2 shares of 0.001p each	–	–	–	–	10,880,000	1,088	–	–	12,180,000	
	<u>10,707,842</u>	<u>107,078</u>	<u>10,707,842</u>	<u>107,078</u>	<u>24,378,540</u>	<u>103,418</u>	<u>10,200,040</u>	<u>102,000</u>	<u>25,678,540</u>	
									<u>103,548</u>	

The Ordinary Shares, 'B' shares, 'C' shares, 'D' shares and 'E' shares ranked equal in all respects but constituted separate classes of shares. Only the ordinary shares had voting rights.

The 'B' shares, 'C' shares, 'D' shares and 'E' shares were repurchased on 25 November 2014 and cancelled on 4 December 2014.

GS1 shares have no rights with respect to voting or dividend distribution. They have rights to participate in a distribution on winding up or exit only if the surplus on exit exceeds £80 million. The shares were issued at par for cash on 6 May 2015.

GS2 shares have no rights with respect to voting or dividend distribution. They have rights to participate in a distribution on winding up or exit only if the surplus on exit exceeds £170 million. 10,880,000 shares were

issued on 6 May 2015 and a further 1,300,000 shares were issued on 12 August 2015. All shares were issued at par for cash.

The share capital of the Group for all years is that of Hotel Chocolat Group plc, although this company did not gain control of the Group until its formation in July 2013.

22. Reserves

The capital redemption reserve represented the aggregate nominal value of all the ordinary shares repurchased and cancelled by the Company.

The merger reserve arose when the Company undertook a share for share exchange with the companies listed in Note 14 and is not distributable by way of dividends.

The translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

23. Lease commitments

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 28</i>	<i>As at 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
	£	£	£	£	£
Land and buildings					
Operating lease which expire:					
Within one year	5,757,643	6,226,518	5,506,791	6,396,007	5,646,817
In two to five years	13,320,857	13,070,922	12,755,081	13,104,762	14,041,796
In over five years	5,496,583	5,990,542	5,961,877	6,752,517	7,960,173
Other					
Operating lease which expire:					
Within one year	6,500	–	–	–	–
	<u>24,581,583</u>	<u>25,287,982</u>	<u>24,223,749</u>	<u>26,253,286</u>	<u>27,648,786</u>

24. Capital commitments

Amounts contracted for but not provided for as at 30 June 2013 amounted to £230,895. There were no such commitments in any other period.

25. Related party transactions

Remuneration of Directors and other transactions

The remuneration of the key management personnel of the company is disclosed in Note 6. Interests and related party transactions are disclosed below.

The Group rents property in the ordinary course of business on an arm's length basis from Harwell Management Limited, a company in which P M Harris and A Thirlwell have a material interest. The rentals totalled £88,525 in the period ended 27 December 2015 (28 December 2014: £40,000; 28 June 2015: £40,000; 29 June 2014: £160,000; 30 June 2013: £160,000). No amounts were due at any period end.

Included within other payables as at 27 December 2015 were amounts totalling £7,691 due to two directors of the Company (28 December 2014: £9,441 due from two directors of the Company; 28 June 2015: £ nil; 29 June 2014: £ nil; 30 June 2013: £580,000 due to two directors of the Company. The amounts were unsecured and interest of £22,803 was charged by the directors in the period ended 30 June 2013). The

movement in each period is as follows: £7,691 charge for the period ended 27 December 2015; £9,441 credit for 28 December 2014, £9,441 credit for 29 June 2014; £580,000 credit for 29 June 2014, £580,000 charge for 30 June 2013.

26. Categories of financial instruments

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 28</i>	<i>As at 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
	£	£	£	£	£
Financial assets					
At amortised cost:					
Trade and other receivables (excluding prepayments and accrued income)	2,245,348	2,729,069	811,620	2,174,277	2,699,705
Cash and cash equivalents	4,263,501	4,975,685	5,155,370	3,436,747	14,365,792
Total	6,508,849	7,704,754	5,966,990	5,611,024	17,065,497
Financial liabilities					
At amortised cost:					
Trade and other payables	9,466,290	8,883,609	7,845,976	6,987,230	7,159,657
Total borrowings	6,489,480	8,447,006	8,253,239	8,571,872	12,903,540
Accruals	1,869,568	4,449,763	4,814,605	7,938,658	9,289,096
Bank overdraft	8,004,549	13,931,197	10,637,314	803,026	2,199,586
Total	25,829,887	35,711,575	31,551,134	24,300,786	31,551,879

27. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, price risk) and credit risk and liquidity risk.

Market risk – Foreign exchange risk

The Group is not exposed to significant foreign currency risks as it has no substantial transactions denominated in foreign currencies. The Group has underlying trade in foreign exchange which leads to variability but is not material.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk, the Group endeavours only to deal with companies which are demonstrably creditworthy. In addition, a significant proportion of revenue results from cash transactions. The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of trade receivables. Management does not consider that there is any concentration of risk within trade receivables.

Ageing analysis

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 28</i>	<i>As at 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
	£	£	£	£	£
Trade receivables					
Up to 3 months	822,373	1,451,840	751,430	2,125,659	2,655,141
3 to 6 months	15,254	43,590	9,847	53,112	15,146
Above 6 months	89,712	115,006	159,983	147,106	103,022
Impairment provision	(99,052)	(97,420)	(203,599)	(218,489)	(159,087)
Totals	828,287	1,513,016	717,661	2,107,388	2,614,222

These receivables are not secured by any collateral or credit enhancement.

The exposure of credit risk for trade receivables by geographical region is as follows:

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 28</i>	<i>As at 27</i>
	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2014</i>	<i>Dec 2015</i>
	£	£	£	£	£
UK	561,315	1,227,039	533,975	1,938,636	2,544,602
Europe	170,249	195,009	50,888	116,613	30,998
Rest of World	96,723	90,968	132,798	52,139	38,622
Totals	828,287	1,513,016	717,661	2,107,388	2,614,222

Liquidity risk

The Group currently holds cash balances to provide funding for normal trading activity. The Group also has access to both short term and long term borrowings to finance individual projects. Trade and other payables are monitored as part of normal management routine.

Borrowings and other liabilities mature according to the following schedule:

	<i>Within 1 year £</i>	<i>One to two years £</i>	<i>Two to five years £</i>	<i>More than five years £</i>
As at 30 June 2013				
Trade and other payables	11,065,622	–	–	–
Borrowings	711,612	576,725	5,457,054	77,785
Bank overdraft	8,004,549	–	–	–
Total	<u>19,781,783</u>	<u>576,725</u>	<u>5,457,054</u>	<u>77,785</u>
As at 29 June 2014				
Trade and other payables	13,333,372	–	–	–
Borrowings	744,976	576,725	7,867,549	–
Bank overdraft	13,931,197	–	–	–
Total	<u>28,009,545</u>	<u>576,725</u>	<u>7,867,549</u>	<u>–</u>
As at 28 June 2015				
Trade and other payables	12,660,581	–	–	–
Borrowings	979,060	–	8,067,913	–
Bank overdraft	10,637,314	–	–	–
Total	<u>24,276,955</u>	<u>–</u>	<u>8,067,913</u>	<u>–</u>
As at 28 December 2014				
Trade and other payables	14,925,888	–	–	–
Borrowings	1,216,340	405,178	7,744,617	–
Bank overdraft	803,026	–	–	–
Total	<u>16,945,254</u>	<u>405,178</u>	<u>7,744,617</u>	<u>–</u>
As at 27 December 2015				
Trade and other payables	16,448,753	–	–	–
Borrowings	1,929,818	1,687,470	10,519,954	–
Bank overdraft	2,199,586	–	–	–
Total	<u><u>20,578,157</u></u>	<u><u>1,687,470</u></u>	<u><u>10,519,954</u></u>	<u><u>–</u></u>

Capital risk management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

To meet these objectives, the Group reviews its budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cash flow.

The capital structure of the Group consists of shareholders' equity as set out in the Combined Statement of Changes in Equity. All working capital requirements are financed from existing cash resources and borrowings.

Fair value hierarchy

All the financial assets and financial liabilities recognised in the financial information are shown at the carrying value which also approximates the fair values of those financial instruments; therefore, no separate disclosure for fair value hierarchy is required.

28. Events subsequent to the reporting date

On 9 March 2016, the Group announced its intention to seek a placing and admission to trading on AIM of its share capital.

On 24 April 2016, the Group completed its acquisition of Hotel Chocolat Estates, an entity incorporated in St Lucia. While the results and financial position of this entity have been included within the Combined financial Information presented here, the results of Hotel Chocolat Estates will only be included from the date of acquisition for the purposes of the Hotel Chocolat Group plc consolidated financial statements to June 2016.

On 27 April 2016, the Group renegotiated a two-year, bilateral revolving credit facility for £18m.

29. Ultimate controlling party

The Directors believe that there is no ultimate controlling party of the Company.

30. Transition to IFRS

The historical financial information for the periods up to and including the 26 weeks ended 27 December 2015 have been prepared in accordance with IFRS. Previously, the Group prepared its financial statements for these periods in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP).

Accordingly, the Group has prepared financial information which complies with IFRS applicable for periods ending on or after 27 December 2015, as described in the summary of significant accounting policies. In preparing the financial information, the Group's opening Combined Statement of Financial Position was prepared as at 1 July 2012, the Group's date of transition to IFRS. In restating its UK GAAP financial statements, the Group has made provision for additional lease incentives and reversed a charge for the amortisation of goodwill in accordance with accounting policies described below. The Group has also recognised certain non-current assets as intangible rather than tangible assets.

A summary of the impact of transition to the Combined Statement of Financial Position is as follows:

	<i>Unaudited</i>	<i>Audited</i>		<i>Unaudited</i>	<i>Audited</i>	
	<i>As at 1</i>	<i>As at 30</i>	<i>As at 29</i>	<i>As at 28</i>	<i>As at 27</i>	
	<i>July 2012</i>	<i>June 2013</i>	<i>June 2014</i>	<i>June 2015</i>	<i>Dec 2015</i>	
	£	£	£	£	£	
Equity reported in accordance with UK GAAP	7,625,256	6,193,738	(955,657)	1,425,946	3,446,643	8,883,613
Transition adjustments:						
Amortisation of goodwill	102,534	136,711	170,888	205,065	187,976	222,153
Lease incentives	(63,678)	(89,568)	(164,645)	(279,425)	(218,496)	(336,012)
Holiday pay provision	—	—	—	—	(78,489)	—
Equity reported in accordance with IFRS	7,664,112	6,240,881	(949,414)	1,351,586	3,337,634	8,769,754

Notes:

Goodwill is not amortised but is subject to annual impairment review under IFRS. Under UK GAAP, goodwill is amortised.

Lease incentives are recognised over the lease term on a straight line basis under IFRS. Under UK GAAP, lease incentives are recognised over the shorter of the lease term and the period ending on a date from which it is expected the prevailing market rental will be payable, on a straight line basis.

Holiday pay provision is accrued for the period in which it relates to. The holiday period runs to the end of June each year.

A summary of the impact of transition to the Combined Statement of Comprehensive Income is as follows:

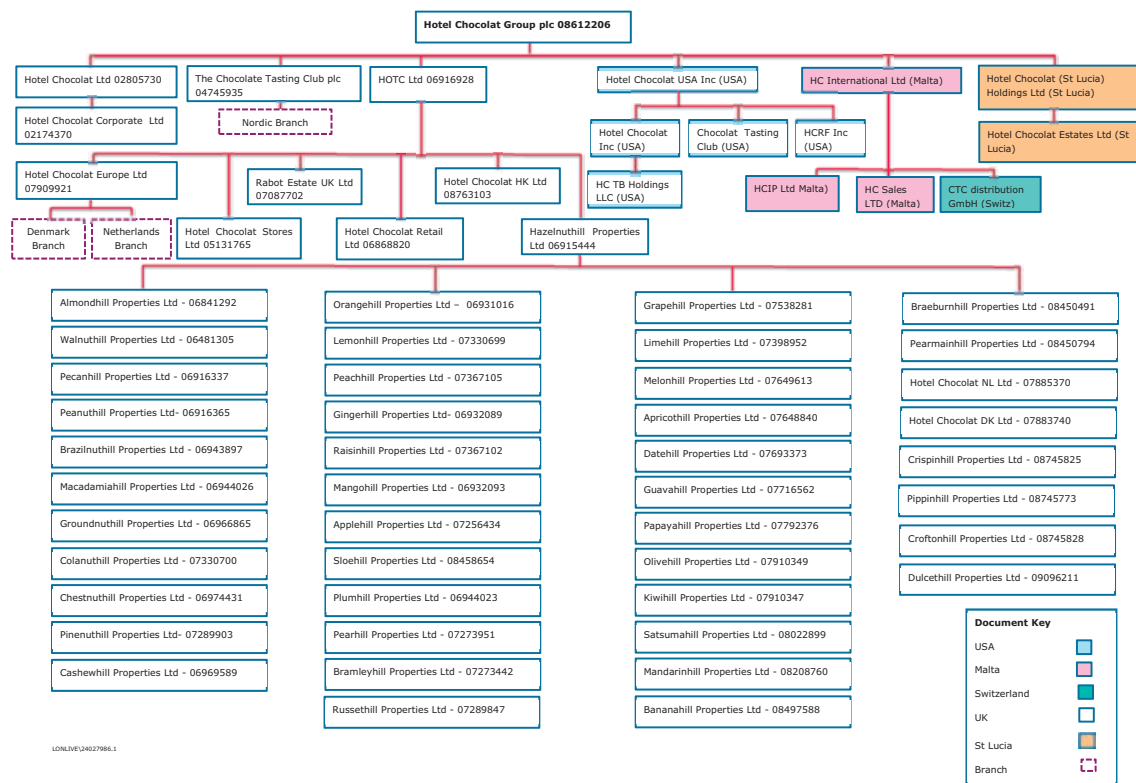
	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>52 weeks ended 30 June 2013</i>	<i>52 weeks ended 29 June 2014</i>	<i>52 weeks ended 28 June 2015</i>	<i>26 weeks ended 28 Dec 2014</i>	<i>26 weeks ended 27 Dec 2015</i>
	£	£	£	£	£
Profit/(loss) after tax reported in accordance with UK GAAP	269,093	(5,975,861)	1,967,510	4,135,096	7,028,584
Foreign exchange translation differences	143,296	(1,173,533)	412,675	267,208	428,960
Total recognised gains and losses for the financial period per UK GAAP	412,389	(7,149,394)	2,380,185	4,402,304	7,457,544
Transition adjustments:					
Amortisation of goodwill	34,177	34,177	34,177	17,089	17,089
Lease incentives	(25,889)	(75,078)	(114,780)	(53,856)	(56,595)
Holiday pay provision	–	–	–	(78,489)	–
Total comprehensive income per IFRS	<u>420,677</u>	<u>(7,190,295)</u>	<u>2,299,582</u>	<u>4,287,048</u>	<u>7,418,038</u>

PART 4

ADDITIONAL INFORMATION

1. THE COMPANY AND ITS SUBSIDIARIES

- 1.1 The Company was incorporated and registered in England and Wales on 16 July 2013 with registered number 08612206 as a private company with limited liability under the Companies Act. The Company was re-registered as a public company on 3 May 2016.
- 1.2 The registered office of the Company is at Mint House, Newark Close, Royston, Hertfordshire SG8 5HL and the telephone number of the registered office is +44 1763 257 746. The ISIN for the Ordinary Shares is GB00BYZC3B04.
- 1.3 The principal legislation under which the Company operates and under which the Ordinary Shares were created is the Companies Act.
- 1.4 The following chart reflects the Group's corporate structure upon Admission:



- 1.5 All of the Company's subsidiaries are wholly owned.

2. CAPITAL REORGANISATION

- 2.1 In preparation for Admission and as part of the Capital Reorganisation:
 - 2.1.1 on 3 May 2016, all of the ordinary shares of £0.01 each in the capital of the Company were sub-divided into ordinary shares of £0.001 each;
 - 2.1.2 on 3 May 2016, 5 Growth Shares were purchased by the Company and placed into treasury;
 - 2.1.3 on 3 May 2016, all of the Growth Shares and GS2 Shares held in treasury were cancelled; and
 - 2.1.4 on 4 May 2016, a bonus issue of 160,164 ordinary shares of £0.001 were allotted and issued to the holders of ordinary shares at the rate of 0.0016 new ordinary shares for every 1 existing ordinary share held by them.

Further details of these alterations in the issued share capital are outlined in paragraph 3.2 of this Part 4.

- 2.2 In addition, the Company's listing on AIM is a trigger event under the Company's existing articles of association with respect to the Growth Shares giving the holders of Growth Shares an entitlement to value in relation to their interest in the Company. As part of the Capital Reorganisation and in accordance with the terms of the Growth Shares, the following steps will take place following the date of this document, but prior to Admission:
 - 2.2.1 all of the Growth Shares of £0.0001 each in the capital of the Company will be consolidated and converted into interim shares of £0.001 each ("**Interim Shares**") and it is anticipated that this will occur on 9 May 2016;
 - 2.2.2 on the day of but immediately prior to Admission a bonus issue of 2,244,294 Interim Shares of £0.001 will be allotted and issued to the holders of Interim Shares at the rate of 6.9085 new Interim Shares for every 1 existing Interim Share held by them; and
 - 2.2.3 the 2,569,156 Interim Shares then in issue will, immediately prior to Admission, be converted into 2,569,156 ordinary shares of £0.001 each.
- 2.3 Admission is not a trigger event with respect to the GS2 Shares as the relevant growth hurdles contained in the Company's existing articles of association will not have been met. Therefore, the GS2 Shares will be bought back by the Company for par value and cancelled immediately prior to Admission.
- 2.4 Further details of these alterations in the issued share are outlined in paragraph 3.6 of this Part 4.

3. SHARE CAPITAL

- 3.1 The Company was incorporated with an authorised share capital of £2.00 represented by 2 ordinary shares of £1.00 each of which one was issued to each of the Founders, Angus Thirlwell and Peter Harris.
- 3.2 The following alterations in the issued share capital of the Company have taken place since incorporation:
 - 3.2.1 on 7 October 2013, each of the issued and unissued ordinary shares of £1.00 each in the capital of the Company was sub-divided into 100 ordinary shares of £0.01;
 - 3.2.2 on 8 October 2013, 10,199,800 ordinary shares of £0.01, 110,949 B shares of £0.01 and 110,946 C shares of £0.01 were allotted and issued to the then shareholders of Hotel Chocolat Limited as consideration for the acquisition of the issued share capital of Hotel Chocolat Limited;
 - 3.2.3 on 9 October 2013, 10 ordinary shares of £0.01 were allotted and issued to the then shareholders of HOTC Ltd as consideration for the acquisition of the issued share capital of HOTC Limited;
 - 3.2.4 on 9 October 2013, 10 ordinary shares of £0.01, 142,955 D shares of £0.01 and 142,952 E shares of £0.01 were allotted and issued to the then shareholders of The Chocolat Tasting Club PLC as consideration for the acquisition of the issued share capital of The Chocolat Tasting Club PLC;
 - 3.2.5 on 10 October 2013, 10 ordinary shares of £0.01 were allotted and issued to the then shareholders of Hotel Chocolat USA Inc. as consideration for the acquisition of the issued share capital of Hotel Chocolat USA Inc.;
 - 3.2.6 on 20 December 2013, 10 ordinary shares of £0.01 were allotted and issued to the then shareholders of HC International Limited as consideration for the acquisition of the issued share capital of HC International Limited;
 - 3.2.7 on 25 November 2014, 35,790 B shares of £0.01, 35,789 C shares of £0.01, 3,990 D shares of £0.01 and 3,989 E shares of £0.01 were purchased by the Company for par value and placed into treasury;

- 3.2.8 on 25 November 2014, 3,579 B shares of £0.01, 3,579 C shares of £0.01, 132,980 D shares of £0.01 and 132,980 E shares of £0.01 were purchased by the Company for par value and placed into treasury;
 - 3.2.9 on 4 December 2014, 35,790 B shares of £0.01, 35,789 C shares of £0.01, 3,990 D shares of £0.01 and 3,989 E shares of £0.01 were transferred from treasury to certain employees of the Company at par value;
 - 3.2.10 on 4 December 2014, 3,579 B shares of £0.01, 3,579 C shares of £0.01, 132,980 D shares of £0.01 and 132,980 E shares of £0.01 held in treasury were cancelled;
 - 3.2.11 on 23 April 2015 107,370 B shares of £0.01, 107,367 C shares of £0.01, 9,975 D shares of £0.01 and 9,972 E shares of £0.01 held in treasury were cancelled;
 - 3.2.12 on 6 May 2015, 3,298,500 Growth Shares of £0.0001 and 10,880,000 GS2 Shares of £0.0001 were issued to certain employees of the Company at par value;
 - 3.2.13 on 16 July 2015, 250,000 Growth Shares of £0.0001 were purchased by the Company for par value and placed into treasury;
 - 3.2.14 on 12 August 2015, 250,000 Growth Shares were transferred from treasury and 1,300,000 GS2 Shares of £0.0001 were issued to Andrew Gerrie in connection with his appointment as a non-executive director of the Company for £2,000;
 - 3.2.15 on 14 December 2015, 49,875 Growth Shares of £0.0001 and 240,000 GS2 Shares of £0.0001 were purchased by the Company for par value and placed into treasury;
 - 3.2.16 on 3 May 2016, 10,200,040 ordinary shares of £0.01 each in the capital of the Company were sub-divided into 102,000,400 Ordinary Shares of £0.001 each;
 - 3.2.17 on 3 May 2016, 5 Growth Shares of £0.0001 were purchased by the Company for par value and placed into treasury;
 - 3.2.18 on 3 May 2016, 48,880 Growth Shares of £0.0001 and 250,000 GS2 Shares of £0.0001 held in treasury were cancelled; and
 - 3.2.19 on 4 May 2016, a bonus issue of 160,164 Ordinary Shares were allotted and issued to the holders of Ordinary Shares at the rate of 0.0016 new Ordinary Shares for every 1 existing Ordinary Share held by them.
- 3.3 By special and ordinary resolutions passed on 3 May 2016:
- 3.3.1 the re-registration of the Company as a public company under the Companies Act by the name of Hotel Chocolat Group plc was approved and the interim articles of association of the Company were approved in substitution for and to the exclusion of the existing articles of association;
 - 3.3.2 the sub-division of 10,200,040 ordinary shares of £0.01 each in the capital of the Company into 102,000,400 Ordinary Shares of £0.001 was approved; and
 - 3.3.3 the terms of the agreement for the purchase by the Company of 5 Growth Shares were approved and the Company was authorised to enter into and perform its obligations under the agreement.
- 3.4 By special and ordinary resolutions passed on 4 May 2016:
- 3.4.1 the Directors were authorised to apply the sum of £160.164, being part of the share premium account, in paying up in full 160,164 Ordinary Shares of £0.001 and to allot and issue such new Ordinary Shares to the holders of Ordinary Shares at the rate of 0.0016 new Ordinary Share(s) for every 1 existing Ordinary Share held by them;
 - 3.4.2 the consolidation and conversion of 3,248,620 Growth Shares of £0.0001 each into 324,862 Interim Shares of £0.001 each was approved;
 - 3.4.3 the Directors were authorised to apply the sum of £2,244.294, being part of the share premium account, in paying up in full 2,244,294 Interim Shares of £0.001 and to allot and issue such new Interim Shares to the holders of Interim Shares at the rate of 6.9085 new Interim Share(s) for every 1 existing Interim Share held by them;

- 3.4.4 the terms of the agreement for the purchase by the Company of 11,940,000 GS2 Shares were approved and the Company was authorised to enter into and perform its obligations under the agreement;
- 3.4.5 the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company and/or grant rights to subscribe for or convert any securities into such shares up to an aggregate nominal amount of £8,108.11 in connection with the issue of the new Ordinary Shares to be issued pursuant to the Placing, such authority to expire on the earlier of immediately following Admission and 31 May 2016, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares or the grant of rights to subscribe for or to convert any securities into shares in pursuance of such an offer or agreement as if such authority had not expired;
- 3.4.6 the Directors were generally empowered (pursuant to section 570 of the Companies Act) to allot equity securities pursuant to the authority referred to in paragraph 3.4.5 above as if section 561 of the Companies Act did not apply to any such allotment;
- 3.4.7 the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company and/or grant rights to subscribe for or convert any securities into such shares up to an aggregate nominal amount of (A) £37,612.61 being equal to 1/3 of the Company's issued share capital immediately following Admission (such amount to be reduced by the nominal amount allotted or granted under part (B) of this resolution exceeding 1/3 of the Company's issued share capital immediately following Admission) and (B) £75,225.22 being equal to 2/3 of the Company's issued share capital immediately following Admission (such amount to be reduced by the nominal amount allotted or granted under part (A) of this resolution) in connection with an offer of such securities by way of a rights issue only, such authority to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares or the grant of rights to subscribe for or to convert any securities into shares in pursuance of such an offer or agreement as if such authority had not expired;
- 3.4.8 the Directors were empowered (pursuant to section 570 of the Companies Act) to allot equity securities as if section 561 of the Companies Act did not apply to any such allotment or sale, (A) pursuant to the authorities granted in the above paragraph 3.4.7 above, in connection with a pre-emptive offer to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings (but in the case of the authorisation referred to in sub-paragraph (B) of paragraph 3.4.7 above, by way of a rights issue only), but subject to such other exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory and (B) up to an aggregate nominal amount of £11,283.78, being equal to 10 per cent. of the Company's issued share capital immediately following Admission, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power, and the Directors may allot equity securities in pursuance of such an offer or an agreement as if such power had not expired; and
- 3.4.9 the final articles of association of the Company were approved and adopted, conditional upon Admission, in substitution for and to be exclusion of the interim articles of association.
- 3.5 On 3 May 2016 and 4 May 2016, written class consent to the Capital Reorganisation was obtained from the holders of Growth Shares and GS2 Shares.

- 3.6 The following alterations in the issued share capital of the Company will take place between the date of this document and Admission:
- 3.6.1 3,248,620 Growth Shares of £0.0001 each in the capital of the Company will be consolidated and converted into 324,862 Interim Shares of £0.001 each;
- 3.6.2 a bonus issue of 2,244,294 Interim Shares of £0.001 will be allotted and issued to the holders of Interim Shares at the rate of 6.9085 new Interim Shares for every 1 existing Interim Share held by them;
- 3.6.3 2,569,156 Interim Shares of £0.001 each in the capital of the Company will be converted into 2,569,156 Ordinary Shares of £0.001 each;
- 3.6.4 all of the 11,940,000 GS2 Shares will be purchased by the Company for par value and cancelled; and
- 3.6.5 8,108,108 new Ordinary Shares will be issued pursuant to the Placing, diluting holders of Existing Ordinary Shares by 7.94 per cent.

- 3.7 The issued share capital of the Company (i) as at the date of this document and (ii) upon Admission is set out below:

<i>Class of shares</i>	<i>(i) As at the date of this document</i>		<i>Class of shares</i>	<i>(ii) Upon Admission</i>	
	<i>Number of shares</i>	<i>Nominal amount</i>		<i>Number of shares</i>	<i>Nominal amount</i>
Ordinary Shares	102,160,564	£120,160.65	Ordinary Shares	112,837,828	£112,837.83
Growth Shares	3,248,620	£324.86			
GS2 Shares	11,940,000	£1,194.00			

- 3.8 The number of ordinary shares of £0.01 each in issue as at 30 June 2014 was 10,200,040 and the number of ordinary shares of £0.01 each in issue as at 28 June 2015 (being the end of the Company's financial year) was 10,200,040.
- 3.9 As at 4 May 2016 (the latest practicable date prior to the date of this document), the Company held no treasury shares.
- 3.10 Save as disclosed in paragraph 3.11 below, no capital of the Company is proposed to be issued or is under option or is agreed to be put under option.
- 3.11 Details of the total number of options under the LTIP outstanding as at 4 May 2016 (being the latest practicable date prior to the publication of this document) are as follows:

<i>LTIP Date of grant*</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise price (p)</i>	<i>Exercise period</i>
04.05.16	2,882,000	148	04.05.19 – 03.05.26

* These options will lapse if Admission does not take place within 30 days of the date of grant.

4. ARTICLES OF ASSOCIATION

A summary of the main provisions of the Articles adopted by the Company, conditional upon Admission, is set out below.

4.1 Objects

The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.

4.2 Variation of rights

Subject to the provisions of the Companies Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied

or abrogated either with the consent in writing of the holders of at least three-quarters of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during, or in contemplation of, a winding-up. At every such separate general meeting the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (but at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum). Every holder of shares of the class present in person or by proxy shall, on a poll, have one vote in respect of every share of the class held by him and shall be entitled to demand a poll. Where the rights of some only of the shares of any class are to be varied, the foregoing provisions apply as if each group of shares of the class differently treated formed a separate class whose rights are to be varied.

4.3 **Alteration of share capital**

4.3.1 The Company may, subject to the passing of a resolution authorising it to do so in accordance with the Companies Act:

- 4.3.1.1 consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares;
- 4.3.1.2 subject to the provisions of the Companies Act, sub-divide its shares, or any of them, into shares of smaller nominal amount than its existing shares; and
- 4.3.1.3 determine that, as between the holders of the shares resulting from such a sub-division, one or more shares may have such preferred or other rights or may have such qualified or deferred rights or may be subject to such restrictions, as compared with the other or others, as the Company has power to attach to new shares.

4.4 **Issue of shares**

Subject to the provisions of the Companies Act and the rights attaching to any existing shares, any share may be issued with, or have attached to it, such rights or restrictions as the Company may by ordinary resolution determine or, if the Company has not so determined, as the Directors may determine.

4.5 **Dividends and other distributions**

4.5.1 Subject to the provisions of the Companies Act and the Articles, the Company may by ordinary resolution declare dividends to be paid to shareholders in accordance with their respective rights and interests in the profits of the Company. However the dividends shall not exceed the amount recommended by the Directors. Subject to the provisions of the Companies Act and, so far as in the opinion of the Board the profits justify such payments, the Directors may declare and pay interim dividends, or fixed dividends payable as the Board sees fit.

4.5.2 Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. If any share is issued on terms providing that it shall rank for dividend as if paid up (in whole or in part) from a particular date, such share shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

4.6 **Voting rights**

4.6.1 Subject to any rights or restrictions as to voting attached to any shares, on a show of hands every shareholder present in person has one vote, every proxy present who has been duly appointed by one or more shareholders entitled to vote has one vote and every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation would be entitled to.

4.6.2 On a poll every shareholder (whether present in person or by duly appointed proxy or corporate representative) has one vote for every share of which he is the holder or in respect of which his appointment as proxy or corporate representative has been made. A shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the

same way. In the case of joint holders, only the vote of the most senior joint holder shall count (to the exclusion of any other joint holders), and seniority shall be determined by the order in which the names of the holders stand in the register of shareholders of the Company.

- 4.6.3 No shareholder shall be entitled to vote at any general meeting or meeting of the holders of any class of shares of the Company either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company or of the holders of any class of shares of the Company if any call or other sum then payable by him in respect of that share remains unpaid to the Company.

4.7 **Transfer of shares**

4.7.1 A share in the Company in certificated form shall be transferred by instrument of transfer in any usual or common form, or in any other form approved by the Directors, signed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee.

4.7.2 All transfers of shares in uncertificated form shall be made in accordance with and be subject to the CREST Regulations and the facilities and requirements of the Relevant Electronic System concerned and in accordance with any arrangements made by the Board pursuant to the Articles.

4.7.3 The Directors may, in their absolute discretion, refuse to register the transfer of a share which is not fully paid up provided that such refusal does not prevent dealings in the shares of that class from taking place on an open and proper basis. The Directors may also refuse to register a transfer of a share in certificated form unless the instrument of transfer:

4.7.3.1 is duly stamped or duly certificated;

4.7.3.2 is delivered for registration at the registered office of the Company or such other place as the Directors may appoint and is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

4.7.3.3 is in respect of only one class of share;

4.7.3.4 is not in favour of more than four transferees; and

4.7.3.5 is for a share upon which the Company has no lien.

4.7.4 The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse to register the transfer in such other circumstances as may be permitted by the CREST Regulations and the requirements of the Relevant Electronic System.

4.7.5 If the Directors refuse to register a transfer of a share, they shall send the transferee notice of the refusal within two months after the date on which the transfer was lodged with the Company or, in the case of an uncertificated share, the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the CREST Regulations.

4.7.6 No fee shall be charged for the registration of any instrument of transfer or other document or instruction relating to or affecting the title to any share.

4.8 **Distribution of assets on a winding-up**

If the Company shall be wound up the liquidator may, with the sanction of a special resolution and with any other sanction required by the Insolvency Act 1986, divide among the shareholders in specie or kind the whole or any part of the assets of the Company and for such purpose may set such value as he sees fair upon any assets and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. With the like sanction, the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the shareholders as he shall think fit, but no shareholder shall be compelled to accept any shares or other securities upon which there is a liability.

4.9 **Restrictions on rights: failure to respond to a section 793 notice**

- 4.9.1 If a Shareholder, or any other person appearing to be interested in any shares, fails to provide the information requested in a notice given to him under section 793 of the Companies Act by the Company in relation to his interest in shares (the “default shares”) within 14 clear days after the notice has been given and the nominal value of the default shares represent at least 0.25 per cent. of their class, the holder of the default shares shall not be entitled:
- 4.9.1.1 to attend or vote (whether in person or by representative or proxy) at any general meeting or annual general meeting of the Company;
 - 4.9.1.2 to receive any dividend or other distribution; or
 - 4.9.1.3 to transfer or agree to transfer any of the shares or rights in them.
- 4.9.2 The restrictions set out in 4.9.1 shall continue for the period specified by the Board, being not more than seven clear days after the earlier of:
- 4.9.2.1 the Company being notified that the default shares have been sold pursuant to an exempt transfer (an exempt transfer being a sale of the share on a recognised investment exchange as defined in FSMA in the United Kingdom or on any stock exchange outside the United Kingdom on which those shares are listed or normally traded, a sale of the whole beneficial interest in the share or an acceptance of a takeover offer); or
 - 4.9.2.2 due compliance, to the satisfaction of the Board, with the section 793 notice.
- 4.9.3 The Board may waive these restrictions, in whole or in part, at any time.

4.10 **Untraced shareholders**

Subject to certain notice requirements, the Company shall be entitled to sell at the best price reasonably obtainable at the time of sale any share held by a shareholder if and provided that, during a period of 12 years, at least three cash dividends have been declared in respect of the share in question and all dividend warrants and cheques have been sent by the Company in accordance with the Articles and, during that period of 12 years, no cash dividend payable in respect of the share has been claimed by presentation to the paying bank of the relevant cheque or warrant, or been satisfied by the transfer of funds to a bank account designated by the member or person entitled by transmission and no communication has been received by the Company from the shareholder or the person entitled by transmission to the share.

4.11 **Directors**

- 4.11.1 Unless the Company determines otherwise by ordinary resolution, the number of Directors (other than alternate Directors) shall not be subject to any maximum but shall not be less than two.
- 4.11.2 Subject to the Articles, the Board shall have the power at any time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall retire at the Company’s next annual general meeting and shall then be eligible for re-election.
- 4.11.3 Any Director may appoint any other Director, or any other person approved by the Board to be his alternate and may remove such alternate and appoint another in his place.
- 4.11.4 The business of the Company shall be managed by the Directors who, subject to the Companies Act, the provisions of the Articles and any directions of the Company may exercise all the powers of the Company.
- 4.11.5 No business shall be transacted at any meeting of the Directors unless a quorum is present and unless otherwise determined, two directors shall be a quorum. A Director shall not be counted in the quorum present in relation to a matter or resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting. An alternate Director who is not himself a Director shall, if his appointor is not present, be counted in the quorum.

- 4.11.6 Questions arising at a meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall not have a second or casting vote.
- 4.11.7 Subject to any other provision of the Articles, a Director shall not vote or count at a meeting of the Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) and which may give rise to a conflict of interests, unless his interest arises only because the case falls within certain limited categories specified in the Articles.
- 4.11.8 Each Director must declare any situation in which he has or can have a direct or indirect interest which conflicts (or may conflict) with the interests of the Company which, if not authorised would amount to a breach of section 175 of the Companies Act (a "conflict").
- 4.11.9 For the purposes of section 175 of the Companies Act, the Board may authorise any matter proposed to it in accordance with the Articles which would, if not so authorised, involve a breach of duty by a Director under that section, including, without limitation, any matter which relates to a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation will be effective only if (a) the meeting at which the matter is considered is quorate without counting the Director in question or any other interested Director; and (b) the matter was agreed to without the interested Director voting or, if the Director did vote, would have been passed if their vote was not counted.
- 4.11.10 The Board may (whether while authorising or subsequently) make any such authorisation subject to any conditions or limits it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The Board may terminate or vary such authorisation at any time.
- 4.11.11 The office of a Director shall be vacated if:
- 4.11.11.1 he ceases to be a Director by virtue of any provision of the Act or the Articles or he is prohibited or disqualified by law from being a Director;
 - 4.11.11.2 a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally or applies to the court for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
 - 4.11.11.3 a registered medical practitioner who is treating him gives a written opinion to the Company stating that he has become mentally or physically incapable of acting as a Director and may remain so for more than three months;
 - 4.11.11.4 he resigns his office by notice in writing;
 - 4.11.11.5 having been appointed for a fixed term, that term expires and his resignation in writing is accepted by the Board;
 - 4.11.11.6 he is absent for six consecutive months from meetings of the Directors and the Directors resolve that he ceases to be a Director; or
 - 4.11.11.7 all the other Directors resolve that he be removed as a Director.

4.12 Indemnity

- 4.12.1 Subject to the provisions of, and so far as is permitted by and consistent with the Companies Act, every Director, company secretary or other officer of the Company shall be indemnified out of the assets of the Company against (a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated body; and (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office.

4.12.2 To the extent permitted by law, the Directors may arrange insurance cover at the cost of the Company in respect of any liability, loss or expenditure incurred by any Director, the company secretary, or other officer or auditor of the Company in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as Director, company secretary, officer or auditor.

4.13 **General Meetings**

4.13.1 In the case of the annual general meeting, at least 21 clear days' notice in writing shall be given to all the shareholders and to the auditor. All other general meetings shall be convened by not less than 14 clear days' notice in writing.

4.13.2 No business shall be transacted at any general meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a shareholder or a proxy for a shareholder or a duly authorised representative of a corporation (including for this purpose two persons who are proxies or corporate representatives of the same shareholder), shall be a quorum.

4.13.3 A shareholder may appoint a proxy to act on his behalf. A proxy need not be a shareholder of the Company. The appointment of a proxy to vote at a meeting shall be deemed to confer authority to demand or join in demanding a poll and to vote on any resolution put to the meeting as the proxy thinks fit and shall be deemed to confer the right to speak at a meeting.

4.13.4 A shareholder may appoint more than one proxy to attend on the same occasion and if he does so he shall specify the number of shares held by him in respect of which each proxy is entitled to exercise his rights. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share.

4.13.5 Any corporation which is a shareholder of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company, or at any meeting of any class of shareholders of the Company.

4.13.6 The appointment of a proxy shall not preclude a shareholder from attending and voting in person at the meeting at a show of hands or on the poll concerned.

4.13.7 A Director shall, notwithstanding that he may not be a shareholder of the Company, be entitled to attend and speak at general meetings or separate meetings of the holders of any class of shares.

4.13.8 Every resolution submitted to a general meeting shall be determined in the first instance by a show of hands of the shareholders present in person. However, subject to the provisions of the Statutes, a poll may be demanded (before or upon the declaration of the result of the show of hands) by (a) the chairman of the meeting; (b) not less than five shareholders having the right to vote at the meeting; (c) a shareholder or shareholders representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or (d) a shareholder or shareholders holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

5. **OTHER RELEVANT LAWS AND REGULATIONS**

5.1 **Disclosure of interests in shares**

A shareholder in a public company incorporated in the United Kingdom whose shares are admitted to trading on AIM is required pursuant to rule 5 of the Disclosure and Transparency Rules to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds.

Pursuant to Part 22 of the Companies Act and the Articles, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or,

at any time during the three years immediately preceding the date on which the notice is issued, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested.

5.2 **Takeovers**

As a public limited company incorporated and centrally managed and controlled in the United Kingdom, the Company is subject to Takeover Code. Following the implementation of Part 28 of the Companies Act the Takeover Panel has statutory powers to enforce the Takeover Code in respect of companies whose shares are admitted to trading on AIM.

Under Rule 9 of the Takeover Code, a person who acquires, whether by a single transaction or by a series of transactions over a period of time, shares which (taken with shares held or acquired or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, such person is normally required to make a general offer to all shareholders of that company at not less than the highest price paid by him or them or any persons acting in concert during the offer period and in the 12 months prior to its commencement.

Further, pursuant to sections 979 to 982 of the Companies Act, where the offeror has by way of a takeover offer as defined in section 974 of the Companies Act acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which an offer relates and where the shares to which the offer relates represent not less than 90 per cent. of the voting rights in the company to which the offer relates, the offeror may give a compulsory acquisition notice, to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire and which he wishes to acquire and is entitled to so acquire, to acquire those shares on the same terms as the general offer.

Pursuant to sections 983 to 985 of the Companies Act, where an offeror makes a takeover offer as defined by section 974 of the Companies Act and, by virtue of acceptances of the offer and any other acquisitions holds not less than 90 per cent. of the shares in the target (or if the offer relates to a class of shares 90 per cent. of the shares in that class) and which carry not less than 90 per cent. of the voting rights in the target then a minority shareholder may require the offeror to acquire his shares in the target.

6. **EMPLOYEE INCENTIVE SCHEMES**

6.1 ***The Hotel Chocolat Group plc 2016 Long Term Incentive Plan***

- 6.1.1 The Company adopted the Hotel Chocolat Group plc 2016 Long Term Incentive Plan (the "LTIP") on 4 May 2016. Awards under the LTIP will take the form of non-tax advantaged market value options ("LTIP Options"). The LTIP will also provide for the grant of options which are intended to satisfy the requirements of Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 and to benefit from favourable UK tax treatment ("CSOP Options" and together with LTIP Options, "Options").
- 6.1.2 Options have been granted under the LTIP ("Admission Options") at an exercise price equal to the Placing Price, on terms that they will lapse if Admission does not take place within 30 days of the date of grant.
- 6.1.3 **Administration.** The LTIP is administered by the Remuneration Committee. The Remuneration Committee may determine the number of Ordinary Shares subject to an Option, other terms and conditions of Options and the persons to whom Options will be granted.
- 6.1.4 **Eligibility for Participation.** Employees and Executive Directors of the Group will be eligible to participate in the LTIP, at the Remuneration Committee's discretion. It is intended that participation will initially be limited to senior employees and Executive Directors.
- 6.1.5 **Grant of Options.** Options may normally be granted within the period of 42 days following the adoption of the LTIP or the day of announcement of the Company's results for any period;

or at any other time as the Remuneration Committee may determine in exceptional circumstances, provided that Options may not be granted during a close period. Options granted under the LTIP will be granted by deed and evidenced with Option certificates, which will set out any additional terms, conditions, limitations and/or restrictions covering the Option, including, any performance conditions which will apply (the “Performance Conditions”).

- 6.1.6 No payment will be required for the grant of an Option.
- 6.1.7 The Options will be granted at an exercise price which shall not be less than the greater of the nominal value of an Ordinary Share and its market value on the date of grant. The market value is set in accordance with the basis agreed with HMRC Shares and Assets Valuation and will normally be taken as the middle market closing price of an Ordinary Share on the business day immediately prior to the date of grant as derived from the London Stock Exchange.
- 6.1.8 **Individual limits.** CSOP Options may only be granted over Ordinary Shares with a market value up to a maximum of £30,000 (calculated on date of grant).
- 6.1.9 **Performance Conditions.** The Remuneration Committee may, in its absolute discretion, grant Options subject to the attainment of Performance Conditions, stated at the date of grant. Any Performance Condition may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted Performance Condition would be more appropriate. Any amended or substituted Performance Condition would not be materially less difficult to satisfy.
- 6.1.10 The Performance Conditions for the Admission Options will be tested by reference to the audited figure for net profit after tax after exceptional items for the Financial Year of the Company ending 30 June 2019.
- 6.1.11 The Remuneration Committee will review and set appropriate Performance Conditions for future Options, taking into account relevant institutional investor guidelines and prevailing market practice.
- 6.1.12 **Exercise of Options.** Options will become exercisable in whole or in part (subject to any applicable Performance Conditions) on an exercise date(s). The exercise date(s) will be specified by the Remuneration Committee at the date of grant, and Options will normally become exercisable from the third anniversary of the grant date. Where Performance Conditions apply, Options will only become exercisable to the extent such conditions have been satisfied. Options may be satisfied by Ordinary Shares that are newly issued shares, held in treasury, or purchased in the market. A gain arising on the exercise of a non-tax advantaged Option (being the difference between the market value of an Ordinary Share on the date of exercise and the exercise price paid) may also at the discretion of the Remuneration Committee be settled wholly or partly in Ordinary Shares or cash or a combination of both.
- 6.1.13 **Cessation of employment.** If a participant ceases to be employed by the Group as a Good Leaver, his Options may generally be exercised within 6 months of cessation of employment (or one year from his death), even if this occurs prior to the third anniversary of the date of grant (subject to any Performance Conditions or other applicable conditions). A “Good Leaver” is a participant who ceases employment by reason of death; injury, ill-health or disability; redundancy; retirement; the participant’s employing company ceasing to be a Group member; the participant’s employment being transferred, as part of a business transfer, to a person which is not a Group member or under the control of a Group member; or any other reason that the Remuneration Committee in its discretion determines. If a participant who is not a Good Leaver ceases to be employed by the Group, his Options will lapse on the date of such cessation, unless the Remuneration Committee in its absolute discretion determines that the Good Leaver treatment will apply.
- 6.1.14 **Overall Limits.** In any ten year period, the number of Ordinary Shares which may be issued in respect of Options granted under the LTIP and after Admission under any other employees’ share plan adopted by the Company may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time. Ordinary Shares held in treasury will be treated as

newly issued Ordinary Shares for the purpose of this limit for as long as guidelines published by institutional investors so recommend. Ordinary Shares purchased in the market will not count towards this limit.

- 6.1.15 **Corporate events.** In the event of a change of control (whether by way of a takeover offer or a scheme of arrangement or compromise) or a voluntary winding-up of the Company, Options will be exercisable for a period of six months following such change of control, to the extent any Performance Conditions have been met on the date of change of control. If a change of control causes CSOP Options to cease to qualify as such, they may be exercised during the period of 20 days before or after such change of control. In the event of an internal reorganisation, Options may be replaced by equivalent options over shares in a new holding company.
- 6.1.16 **Variation of share capital.** In the event of a variation of the Company's share capital (whether by way of capitalisation or rights issue or sub-division or consolidation of the Ordinary Shares or a share capital reduction), the number of Ordinary Shares subject to an Option and/or exercise price may be adjusted by the Remuneration Committee in compliance, as applicable, with the relevant legislation.
- 6.1.17 **Terms of Options.** Options granted under the LTIP are non-transferable, other than to a participant's personal representatives on the death of a participant. Any attempt to transfer will result in lapse of the Options. Participation in the LTIP will not be a term of a participant's contract of employment, and Options will not form part of a participant's pensionable earnings.
- 6.1.18 **Shareholder Rights.** All Ordinary Shares allotted or transferred to a participant on the exercise of an Option will rank equally with other Ordinary Shares then in issue (except in respect of rights arising prior to the date on which the allottee or transferee is entered into the register of members of the Company). Application will be made for permission for any such Ordinary Shares to be admitted to trading on AIM.
- 6.1.19 **Malus and Clawback.** The Remuneration Committee may reduce the number of Ordinary Shares under an unvested LTIP Option ("malus") or require the participant to repay an amount to the Company in respect of the value of a vested LTIP Option ("claw-back") in the following circumstances: material misstatement of financial results; the participant engaging in fraud, gross misconduct or conduct which has a materially detrimental effect on the Company's reputation or justifying the participant's summary dismissal; assessment of a Performance Condition being based on an error, or inaccurate or misleading information or assumption. In assessing any amount to be clawed back, the Remuneration Committee may take into account any tax or social security contributions applicable to the LTIP Option.
- 6.1.20 **Amendment.** The Remuneration Committee may not make any amendment to a key feature of the LTIP that would cause CSOP Options to cease to qualify as such. Otherwise, the Remuneration Committee may amend the LTIP at any time, provided that the prior approval of the Company's Shareholders in general meeting will be required for amendments to the advantage of eligible employees or participants, and the consent of a majority of participants will be required for amendments which would adversely affect their subsisting rights. However, any minor amendment to benefit the administration of the LTIP, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Remuneration Committee without Shareholder and/or participants' approval.
- 6.1.21 **Term.** The LTIP will terminate 10 years from its adoption date unless the Board resolves to terminate it earlier. Termination will not affect the outstanding rights of participants. No Option may be granted more than 10 years after the date the LTIP was adopted.
- 6.1.22 At the discretion of the Remuneration Committee, the LTIP may be extended to overseas employees of the Group subject to such modifications as the directors shall consider appropriate to take into account local tax, exchange control or securities law.

6.2 **The Hotel Chocolat Group plc 2016 Save As You Earn Plan**

- 6.2.1 The Company adopted the Hotel Chocolat Group plc 2016 Save As You Earn Plan (“SAYE”) on 4 May 2016. This is an all employee share plan which is intended to satisfy the requirements of Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003.
- 6.2.2 **Eligibility.** All employees (including full-time executive directors) of the Company or any subsidiary to which the SAYE may be extended who have been employed for a minimum period set by the Remuneration Committee not exceeding 5 years are eligible.
- 6.2.3 **Savings Contract.** In order to participate in the SAYE, an employee must enter into a linked savings contract with an approved bank or building society to make contributions from net salary on a monthly basis over a three or five year period which shall be determined by the Remuneration Committee on each occasion invitations are made under the SAYE. Monthly contributions may be made between £5 – £500 (or such lesser sum as the Remuneration Committee may determine). At the end of the three or five year savings contract, employees may either withdraw their savings on a tax free basis or utilise such sum to acquire Ordinary Shares in the Company. It is currently envisaged that, for the first invitations to be made under the SAYE, employees will be invited to make contributions of up to £200 per month, for a three year savings period.
- 6.2.4 **Option Price.** Each employee who enters into a savings contract shall be granted an option (an “SAYE Option”) at an exercise price determined by the Remuneration Committee, being not less than the greater of the nominal value of an Ordinary Share and 80 per cent. of its market value on the date an invitation is made. The market value will be set in accordance with the basis agreed with HMRC Shares and Assets Valuation and will normally be taken as the middle market closing price of an Ordinary Share on the business day immediately prior to the date of invitation, as derived from the London Stock Exchange.
- 6.2.5 **Grant of Options.** SAYE Options may be granted by the Company or any other person who has agreed with the Company to do so. The number of Ordinary Shares over which an SAYE Option may be granted is limited to the number that may be acquired at the exercise price out of the proceeds of the linked savings contract. The Board may impose a limit on the number of Shares over which Options may be granted in which case applications may be scaled back.
- 6.2.6 Options shall be granted normally within 30 days of the dealing day by reference to which the exercise price is determined.
- 6.2.7 Invitations may be made to apply for the grant of an SAYE Option within the period of 42 days following the adoption of the SAYE or the day of announcement of the Company’s results for any period; the date on which any change to the legislation affecting SAYE schemes takes effect; or the date on which a new savings contract prospectus is announced or takes effect, or at any other time as the Remuneration Committee may determine in exceptional circumstances. In addition, the first invitations will be made by no later than the end of 2016, and the SAYE rules will provide for this.
- 6.2.8 **Exercise of Options.** SAYE Options may generally only be exercised for a period of six months following the maturity of the related savings contract. If not exercised by the end of this period, such SAYE Options shall lapse.
- 6.2.9 **Cessation of Employment.** SAYE Options may be exercised earlier in certain specified circumstances including death, retirement, cessation of employment due to injury, disability or redundancy, or where the business in which the employee works is transferred out of the Group whether pursuant to a TUPE transfer or not or the company for which the employee works no longer being owned by the Group.
- 6.2.10 **Overall Limits.** In any ten year period, the number of Ordinary Shares which may be issued in respect of SAYE Options under the SAYE and after Admission under any other employees’ share plan adopted by the Company may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time. Ordinary Shares held in treasury will be treated as newly issued Ordinary Shares for the purpose of this limit for as long as guidelines published

by institutional investors so recommend. Ordinary Shares purchased in the market will not count towards this limit

- 6.2.11 **Corporate Events.** Early exercise may be allowed on the change of control of the Company, or alternatively, such SAYE Options may be exchanged for options in the acquiring company with the agreement of such company. If a change of control causes SAYE Options to cease to qualify as such, they may be exercised during the period of 20 days before or after such change of control. SAYE Options may also be exercised on a voluntary winding up of the Company.
- 6.2.12 **Variation of share capital.** In the event of a variation of the Company's share capital (whether by way of capitalisation or rights issue or sub-division or consolidation of the Ordinary Shares or a share capital reduction), the number of Ordinary Shares subject to an SAYE Option and/or the exercise price may be adjusted by the Remuneration Committee in compliance with the relevant legislation.
- 6.2.13 **Terms of Options.** SAYE Options are non-transferable, other than to a participant's personal representatives on the death of a participant. Any attempt to transfer will result in lapse of the SAYE Options. Participation in the SAYE will not be a term of a participant's contract of employment, and SAYE Options will not form part of a participant's pensionable earnings.
- 6.2.14 **Shareholder Rights.** All Ordinary Shares allotted or transferred to a participant on the exercise of an SAYE Option will rank equally with other Ordinary Shares then in issue (except in respect of rights arising prior to the date on which the allottee or transferee is entered into the register of members of the Company). Application will be made for permission for any such Ordinary Shares to be admitted to trading on AIM.
- 6.2.15 **Amendment.** The Remuneration Committee may amend the SAYE at any time, provided that the prior approval of the Company's Shareholders in general meeting will be required for amendments to the advantage of participants, and the consent of a majority of participants will be required for amendments which would adversely affect their subsisting rights. However, any minor amendment to benefit the administration of the SAYE, to take into account legislative changes, or to obtain or maintain favourable tax treatment (including to ensure the SAYE meets the requirements of Schedule 3, Income Tax (Earnings and Pensions) Act 2003), exchange control or regulatory treatment may be made by the Remuneration Committee without shareholder and/or participants' approval.
- 6.2.16 **Term.** The SAYE will terminate 10 years from its adoption date unless the Board resolves to terminate it earlier. Termination will not affect the outstanding rights of participants. No SAYE Option may be granted more than 10 years after the SAYE was adopted.

6.3 **Employee Benefit Trust**

- 6.3.1 At its discretion, the Company may establish an Employee Benefit Trust ("EBT") which would be funded by the Company (or a group company) to acquire Ordinary Shares, either by purchase in the market or by way of subscription, to satisfy share or share option awards granted pursuant to the LTIP and/or the SAYE and/or such other share incentive arrangements as the Company may operate from time to time.

7. DIRECTORS' AND OTHER INTERESTS

7.1 The interests of the Directors in the issued ordinary share capital of the Company, as at the date of publication of this document and as they are expected to be upon Admission, are as follows:

<i>Name</i>	<i>As at the date of this document</i>		<i>Upon Admission</i>	
	<i>Ordinary Shares</i>	<i>per cent.</i>	<i>Ordinary Shares</i>	<i>per cent.</i>
Andrew Gerrie	–	–	400,414	0.35
Angus Thirlwell	51,080,282*	50	37,566,769	33.29
Peter Harris	51,080,282**	50	37,566,769	33.29
Matthew Pritchard	–	–	16,892	0.01
Matthew Margereson	–	–	–	–
Sophie Tomkins	–	–	13,514	0.01

* of these Ordinary Shares 10,216,056 are held by Angus Thirlwell's spouse, Libby Thirlwell. Libby Thirlwell will sell 6,756,756 Ordinary Shares pursuant to the Placing and intends to transfer by way of gift her remaining 3,459,300 Ordinary Shares to Angus Thirlwell upon Admission.

** of these Ordinary Shares 10,216,056 are held by Peter Harris' spouse, Edwina Harris. Edwina Harris will sell 6,756,756 Ordinary Shares pursuant to the Placing and intends to transfer by way of gift her remaining 3,459,300 Ordinary Shares to Peter Harris upon Admission.

7.2 As at the date of this document, the following Directors are also interested in the following Growth Shares and GS2 Shares:

<i>Name</i>	<i>As at the date of this document</i>			
	<i>Growth Shares</i>	<i>per cent.</i>	<i>GS2 Shares</i>	<i>per cent.</i>
Andrew Gerrie*	250,000	7.70	1,300,000	10.89
Matthew Pritchard**	750,000	23.07	4,000,000	33.50
Matthew Margereson**	750,000	23.07	4,000,000	33.50

* All of the Growth Shares held by Andrew Gerrie will be converted into 197,711 Ordinary Shares immediately prior to Admission pursuant to the Capital Reorganisation. Upon Admission, Mr Gerrie will hold 400,414 Ordinary Shares as disclosed in paragraph 7.1 above (which includes an additional 202,703 Ordinary Shares to be subscribed for by Mr Gerrie pursuant to the Placing). All of the GS2 Shares held by Mr Gerrie will be bought back by the Company at par and cancelled immediately prior to Admission pursuant to the Capital Reorganisation.

** All of the Growth Shares held by Matthew Pritchard and Matthew Margereson will be converted in each case into 593,135 Ordinary Shares prior to Admission pursuant to the Capital Reorganisation. All such Ordinary Shares issued pursuant to the Capital Reorganisation will be sold by Mr Pritchard and Mr Margereson in the Placing. Mr Pritchard will also acquire Ordinary Shares in the Placing as set out in paragraph 7.1 above. All of the GS2 Shares held by Mr Pritchard and Mr Margereson will be bought back by the Company at par and cancelled immediately prior to Admission pursuant to the Capital Reorganisation.

7.3 Details of the total number of options granted to the Directors under the LTIP outstanding as at 4 May 2016 (being the latest practicable date prior to the publication of this document) are as follows:

LTIP:

<i>Name</i>	<i>Date of Grant</i>	<i>Exercise Price per Ordinary Share (p)</i>	<i>Number of Ordinary Shares under Option</i>	<i>Exercise Period</i>
Matthew Pritchard	04.05.16		800,000	04.05.19 – 03.05.26
Matthew Margereson	04.05.16		800,000	04.05.19 – 03.05.26

These options will lapse if Admission does not take place within 30 days of the date of grant.

7.4 The Company has not made any loans to the Directors or senior management of the Group which are outstanding, nor has it ever provided any guarantees for the benefit of any Director (or the Directors collectively) or senior management of the Group.

7.5 In addition to their directorships in any member of the Group, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

(i) Andrew Gerrie

Current Directorships/Partnerships

Kumo Limited
Mambo Artists Limited
HKLB Limited
Lancelot Limited
Galahad Limited

Past Directorships/Partnerships

Lush Cosmetics Limited
Cosmetic Warriors Limited
Lush Limited
Lush Retail Limited
Lush GmbH
Lush SARL
Lush NV
Lush Italia Srl
Lush Cosmetics SL
Lush AB
Lush Asia Ltd
Lush Macau Ltd
Lush Japan KK
Lush Australia Retail PTY
Lush Australia Manu Pty
Lush (New Zealand) Limited
Fouberts Limited
Ping Pong Limited
Mi Feng Hong Kong Limited
IBMS Limited

(ii) Angus Thirlwell

Current Directorships/Partnerships

None

Past Directorships/Partnerships

None

(iii) Peter Harris

Current Directorships/Partnerships

None

Past Directorships/Partnerships

None

(iv) Matthew Pritchard

Current Directorships/Partnerships

None

Past Directorships/Partnerships

None

(v) Matthew Margereson

Current Directorships/Partnerships

None

Past Directorships/Partnerships

None

(vi) Sophie Tomkins

Current Directorships/Partnerships

Synety Group plc
Sopha Consulting Ltd
Food Senz Ltd

Past Directorships/Partnerships

None

7.6 No Director:

7.6.1 has any unspent convictions in relation to indictable offences; or

7.6.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or

7.6.3 has been a director of any company which, while he or she was a director or within 12 months after he or she ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement,

or made any composition or arrangement with its credits generally or with any class of its creditors; or

- 7.6.4 has been a partner of any partnership which, while he or she was a partner or within 12 months after he or she ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- 7.6.5 has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- 7.6.6 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.7 Save as disclosed in paragraph 7.1 above, and as set out below, the Directors are not aware of any person who, directly or indirectly had an interest in 3 per cent. or more of the voting rights of the Company which is notifiable to the Company under the Disclosure and Transparency Rules as at 4 May 2016, being the latest practicable date prior to the date of this document and immediately following Admission:

<i>Name</i>	<i>As at the date of this document</i>		<i>Following the Placing and Admission</i>	
	<i>Ordinary Shares</i>	<i>per cent.</i>	<i>Ordinary Shares</i>	<i>per cent.</i>
Old Mutual Global Investors (UK) Limited	–	–	8,783,784	7.78
Hargreave Hale Limited	–	–	5,675,676	5.03

- 7.8 All Shareholders have the same voting rights in respect of the share capital of the Company.
- 7.9 None of the Directors nor any members of a Director's family is dealing in any related financial product (as defined in the AIM Rules for Companies) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for differences or a fixed odds bet.
- 7.10 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

8. DIRECTORS' SERVICE AGREEMENTS AND TERMS OF OFFICE

8.1 Executive Directors

- 8.1.1 On 4 May 2016, the Company entered into a service agreement with Angus Thirlwell as Chief Executive Officer. The annual base salary payable to Mr Thirlwell is £235,000. In addition to the normal eight bank and public holidays, Mr Thirlwell is entitled to 30 days' paid holiday each holiday year and to discretionary Company sick pay of salary and contractual benefits for up to 26 weeks in any period of 12 months.
- 8.1.2 On 4 May 2016, the Company entered into a service agreement with Peter Harris as Development Director. The annual base salary payable to Mr Harris is £215,000. In addition to the normal eight bank and public holidays, Mr Harris is entitled to 30 days' paid holiday each holiday year and to discretionary Company sick pay of salary and contractual benefits for up to 26 weeks in any period of 12 months.
- 8.1.3 On 4 May 2016, the Company entered into a service agreement with Matthew Pritchard as Chief Financial Officer. The annual base salary payable to Mr Pritchard is £215,000. In addition to the normal eight bank and public holidays, Mr Pritchard is entitled to 25 days' paid holiday each holiday year and to discretionary Company sick pay of salary and contractual benefits for up to 12 weeks in any period of 12 months.
- 8.1.4 On 4 May 2016, the Company entered into a service agreement with Matthew Margereson as Chief Operating Officer. The annual base salary payable to Mr Margereson is £215,000. In addition to the normal eight bank and public holidays, Mr Margereson is entitled to 25 days'

paid holiday each holiday year and to discretionary Company sick pay of salary and contractual benefits for up to 12 weeks in any period of 12 months.

- 8.1.5 Each of the four above named individuals are entitled to private medical expenses insurance cover and life assurance cover at four times gross annual salary. In respect of pensions, the Company will comply with its statutory obligations in relation to automatic enrolment.
- 8.1.6 Mr Thirlwell, Mr Harris, Mr Pritchard and Mr Margereson are subject to confidentiality restrictions without limitation in time, and restrictive covenants including non-competition, non-solicitation, non-poaching and non-dealing restrictions. The restrictions are for a period of 12 months post termination of employment, reduced by any time spent on garden leave.
- 8.1.7 The service agreements of Mr Thirlwell and Mr Harris may be terminated by either party by twelve months' written notice. The service agreements of Mr Pritchard and Mr Margereson may be terminated by either party by six months' written notice. The Company may terminate each of the service agreements by making a payment in lieu of notice.
- 8.1.8 The Company may terminate the employment of any of the four above named individuals with immediate effect and without notice, pay in lieu of notice, or payment of any compensation or liquidated damages if it has reasonable grounds to believe that the individual is guilty of any of the following non-exhaustive examples of behaviour or conduct, in summary:
- (i) any repeated breach of the service agreement after warning from the Company; or (ii) financial dishonesty; or (iii) gross or serious misconduct or wilful neglect in the discharge of his duties under his service agreement; or (iv) acting in any manner which is likely to bring him or the Company or any Group Company into disrepute or prejudice the interests of the Company or any Group Company; or (v) continuing unsatisfactory conduct or performance of his duties, after having received a warning from the Company relating to the same; or (vi) being charged with any criminal offence (except a road traffic offence not involving a custodial sentence); or (vii) becoming of unsound mind or an in-patient for the purpose of any statute relating to mental health; or (viii) becoming bankrupt, applying for a bankruptcy petition or having a bankruptcy order made against him, or similar provisions in relation to a receiving order or interim order made against him under the relevant law; or (ix) being disqualified from holding office in the Company, any Group Company or any other company under the Insolvency Act 1986 or the Company Directors Disqualification Act 1986 or the FCA, or any equivalent procedure under relevant local law, or any professional or other body, which undermines the confidence of the Board in his continued employment with the Company; or (x) failing to comply in any material respect with any policy of the Company or any Group Company which has been communicated to him; or (xi) ceasing by reason of his own act or default to be a director of the Company or any Group Company; or (xii) committing any material breach of his duties as a director under Part 10 of the Companies Act 2006.

8.2 **Non-Executive Directors**

- 8.2.1 Andrew Gerrie has been appointed as Non-Executive Chairman of the Board by a letter of appointment dated 4 May 2016. Andrew Gerrie is entitled to an annual fee of £50,000. Sophie Tomkins has been appointed as a Non-Executive Director of the Company by a letter of appointment dated 22 April 2016. Sophie Tomkins is entitled to an annual fee of £35,000. The Company may reimburse the Non-Executive Directors for all properly documented expenses reasonably incurred in the performing of their duties.
- 8.2.2 The appointments of the Non-Executive Directors are for an initial term of three years, unless terminated earlier by either party giving to the other three months' prior written notice. The appointments are subject to the Company's articles.
- 8.2.3 The Company may terminate the appointment with immediate effect if a Non-Executive Director has:
- (i) committed a material breach of obligations under the appointment letter; or (ii) committed any serious or repeated breach or non-observance of obligations to the Company (which include an obligation not to breach statutory, fiduciary or common-law duties); or (iii) been guilty of any fraud or dishonesty or acted in any manner which, in the opinion of the Company, brings

or is likely to bring the Non-Executive Director or the Company into disrepute or is materially adverse to the interests of the Company; or (iii) been convicted of an arrestable criminal offence, other than an offence under road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed; or (iv) been declared bankrupt or has made an arrangement with or for the benefit of his creditors, or if he has a county court administration order made against him under the County Court Act 1984; or (v) been disqualified from acting as a director; or (vi) been removed from office by the Company in accordance with the Articles; or (viii) not complied with the Company's anti-corruption and bribery policy and procedures or the Company's share dealing code.

9. RELATED PARTY TRANSACTIONS

- 9.1 No member of the Group is, nor has been, a party to any transactions with related parties which were material to the Group, except:
- 9.1.1 as described in Part 3 of this document;
 - 9.1.2 pursuant to the Corporate Reorganisation and the other transactions described in paragraphs 2 and 10 of this Part 4;
 - 9.1.3 pursuant to the Saint Lucia Share Sale and Purchase Agreement relating to the acquisition of Hotel Chocolat Estates Limited described in paragraph 10.5 of this Part 4;
 - 9.1.4 pursuant to the Framework Agreement described in paragraph 10.4 of this Part 4;
 - 9.1.5 pursuant to the Relationship Agreement described in paragraph 10.2 of this Part 4;
 - 9.1.6 pursuant to the Pre-emption and Lock-in Agreement described in paragraph 10.3 of this Part 4; and
 - 9.1.7 pursuant to the leasehold arrangements regarding the Group's head office, Mint House, Newark Close, Royston SG8 5HL. Mint House is held on a commercial, arm's length lease dated 24 April 2014 between the Founders, as landlord, and Hotel Chocolat Limited as tenant. The current rent is £180,000 per annum (reviewed annually in accordance with RPI). The term of the lease ends in June 2019.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or its subsidiaries during the two years preceding the date of this document and are or may be material:

10.1 *Placing Agreement*

On 5 May 2016, the Company (in its own capacity and acting as agent on behalf of the Employee Shareholders and the Founder Spouse Shareholders), the Directors and Liberum entered into the Placing Agreement. On the same date, each of the Employee Shareholders and the Founder Spouse Shareholders also entered into a separate deed poll of election which (among other things) appointed the Company as its agent for the purposes of the Placing. Further details of their deed polls of election are summarised in paragraph 10.8 of this Part 4.

Pursuant to the terms of the Placing Agreement:

- Liberum has agreed, subject to certain conditions, to act as agent for the Company and the Founders and to use its reasonable endeavours to procure placees to subscribe for and purchase the Placing Shares at the Placing Price;
- the Company has agreed, subject to certain conditions, to both issue the New Ordinary Shares and (as agent for the Employee Shareholders and the Founder Spouse Shareholders) to sell the Employee Sale Shares and the Founder Spouse Sale Shares in the Placing at the Placing Price; and
- the Founders have agreed to sell the Founder Sale Shares in the Placing at the Placing Price.

The Placing Agreement is conditional upon, inter alia, Admission occurring on or before 8.00 a.m. on 10 May 2016 (or such later date as the Company and Liberum may agree).

The Placing Agreement contains warranties from the Company and the Directors in favour of Liberum in relation to, inter alia, the accuracy of the information in this document and other matters relating to the Group and its business. It also contains warranties from the Founders in favour of Liberum in relation to, amongst other things, title to the Founder Sale Shares. In addition, the Company has given an indemnity to Liberum on customary terms. Liberum has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular in the event of a breach of the warranties or a force majeure event.

Under the Placing Agreement each of the Founders, Andrew Gerrie, Matthew Pritchard and Sophie Tomkins has agreed to be subject to a twelve month lock-up period, during which time (subject to certain exceptions) they may not issue, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares they hold at Admission or any Ordinary Shares that may accrue to them as a result of their shareholdings at Admission (each a "Disposal"). In addition, the Founders have also agreed (subject to certain exceptions) that any Disposal in the subsequent twelve month period will be undertaken by Liberum (for so long as Liberum remains the Company's nominated adviser and broker) from time to time.

10.2 **Relationship Agreements**

On 4 May 2016 the Company entered into separate relationship agreements, in the same form, with each of Angus Thirlwell and Peter Harris pursuant to which, conditional on Admission:

10.2.1 the Founders acknowledged that the management of the Company was independent from the direct involvement of the Founder and his associates;

10.2.2 each Founder agreed that:

- (a) all relationships between the Founder and his associates and the Group would be at arm's length and on normal commercial terms;
- (b) decisions in respect of transactions between the Founders and his associates and the Group and in respect of the Founder's remuneration as director would be taken by the independent directors of the Company;
- (c) he would not, without prior consultation with Liberum and the prior consent of the independent directors of the Company, exercise the voting rights attaching to his Ordinary Shares in respect of any transaction between any member of the Group and the Founder or his associates or any resolution required pursuant to the AIM Rules where the AIM Team of the London Stock Exchange required that the Founder abstained from voting. The Founder and the Company would promptly notify Liberum of any actual or potential transaction, dealing or relationship between them or the associates of the Founder; and
- (d) he would exercise the voting rights attaching to his Ordinary Shares to ensure at all times at least two of the Directors are independent.

10.2.3 the Founder would have the right to nominate a director or an observer to the Board. At Admission this would be each Founder themselves. Following the Founder's death, the members of his immediate family would be entitled to exercise these rights to appoint a director or observer, provided they continued to hold in aggregate ten per cent. or more of the issued share capital of the Company and the appointing family member entered into an agreement with the Company and Liberum substantially on the terms of the Relationship Agreement; and

10.2.4 the parties agreed that the agreement would terminate upon (a) the Ordinary Shares ceasing to be admitted to trading on AIM, (b) the Founder ceasing to hold at least ten per cent. of the Company's issued share capital or (c) if the Founder had died, the earlier of his immediate family ceasing to hold at least ten per cent. of the Company's issued share capital or the date on which the appointing family member entered into an agreement with the Company and Liberum substantially on the terms of the Relationship Agreement.

10.3 **Pre-emption and Lock-in Agreement**

- 10.3.1 On 4 May 2016 Angus Thirlwell, Peter Harris and the Company entered into a pre-emption and lock-in agreement. Conditional on Admission, each Founder agreed not to dispose of Ordinary Shares (a) until the third anniversary of Admission Shares if following such disposal he would hold less than 27 per cent. of the issued shares of the Company and (b) between the third and sixth anniversaries of Admission if following such disposal he would hold less than 14 per cent. of the issued share capital of the Company. If, after the third anniversary of Admission and while he holds less than 27 per cent. of the Company's issued share capital, each Founder will not dispose of Ordinary Shares without first offering such shares to the other Founder (subject to certain exemptions, including transfers to a child of the Founder or the trustee of a family trust, provided any such transferee enters into a deed of adherence to the Pre-emption and Lock-in Agreement) on the terms of the agreement.
- 10.3.2 Each Founder agreed to deposit his share certificate with the Company. The Company undertook to notify both Founders if it received a request from either of them to release his share certificate or in relation to an indemnity in lieu of a lost or damaged certificate.
- 10.3.3 The Pre-emption and lock-in Agreement will terminate upon the Company being wound-up or either Founder's holding of Ordinary Shares falling below five per cent. of the issued share capital of the Company.

10.4 **Framework Agreement**

On 22 April 2016 Hotel Chocolat Estates Ltd ("**HCEL**") entered into a framework agreement with the Founders and Philip Buckley (the Executive Estates Director, Saint Lucia) in relation to the sale and transfer of freehold title to a villa plot located on the Rabot Estate in Saint Lucia by HCEL to the Founders for market value (being \$225,000 each) and one villa plot to Philip Buckley as part of his long-term management incentive arrangements.

Pursuant to the Framework Agreement, the parties have agreed to effect the outstanding elements of the sale and transfer, including, *inter alia*, entry into agreements for sale with each of Angus Thirlwell, Peter Harris and Philip Buckley, transferring HCEL's freehold title interest in those villa plots, as documented in the Framework Agreement and the arrangements and costs regarding the design and construction of a villa for each of Angus Thirlwell, Peter Harris and Philip Buckley on their respective villa plots.

Design and construction costs of the Founders' villas will be paid for by the Founders at cost plus a mark-up. Design and construction costs of Philip Buckley's villa will be capped at the lower of \$400,000 or cost, payable by the Company as part of his management incentive arrangements. It is proposed that the Founders' villas be used for marketing purposes to the benefit of the Group.

10.5 **Saint Lucia Share Sale and Purchase Agreement**

On 27 April 2016, Hotel Chocolat (St Lucia) Holdings Ltd, a direct subsidiary of the Company, entered into a sale and purchase agreement with the Founders in relation to the acquisition of 500 ordinary EC\$1.00 shares in HCEL held by each of Angus Thirlwell and Peter Harris at par value, comprising the entire issued share capital of HCEL not already held by Hotel Chocolat (St Lucia) Holdings Ltd.

Pursuant to the terms of the Saint Lucia Share Sale and Purchase Agreement the Founders gave customary warranties (on an indemnity basis) in favour of Hotel Chocolat (St Lucia) Holdings Ltd including, *inter alia*, capacity and authority, ownership of the shares, and HCEL's ownership of the Rabot Estate and Delcer Estate.

The value of the Rabot Estate (as well as the smaller Delcer Estate in Saint Lucia which the Group also owns), is currently reflected in Part 3 of this document at historic cost. In the future, as a result of the acquisition of Hotel Chocolat Estates Ltd by the Group and the consequent accounting treatment under IFRS, the Rabot Estate and Delcer Estate will be reflected in the Group's statutory accounts at their fair value, which the Directors believe may, based on the current valuations, be approximately 30 per cent. higher than their historic cost.

10.6 **Facility Agreement**

On 27 April 2016, the Company entered into an £18,000,000 revolving loan facility agreement with Lloyds Bank PLC for working capital purposes of the Group. The term of the loan is 2 years from the date of the agreement. Interest is payable on the last day of each interest period which is three months unless otherwise agreed between the Company and Lloyds Banks PLC. Interest consists of margin (1.9 per cent. per annum) plus LIBOR. Default interest of 2 per cent. is payable on any unpaid sum.

The agreement is secured on existing security and guarantees granted in favour of Lloyds Bank PLC in the past by various companies within the Group.

The agreement contains customary representations, general undertakings and events of default which could, amongst other things, entitle Lloyds Bank PLC to demand repayment of the loan which are standard for a loan facility of this type. The Facility Agreement also contains customary materiality thresholds and grace periods.

10.7 **Liberum engagement letter**

On 2 November 2015 the Company and Liberum entered into an engagement letter pursuant to which, *inter alia*, the Company appointed Liberum to act as its nominated adviser and broker. The Company agreed to pay Liberum a fee of £50,000 (plus VAT) per annum in respect of such services. The agreement is terminable by either party on notice.

10.8 **Deed Polls of Election**

Each of the Employee Shareholders and the Founder Spouse Shareholders have entered into a separate deed poll of election pursuant to which each Employee Shareholder and Founder Spouse Shareholder:

- appoints the Company as agent for that shareholder to sell the Sale Shares at the Placing Price pursuant to the Placing;
- shall pay to Liberum a commission in relation to the Sale Shares which are sold; and
- has given customary warranties and undertakings to the Company, the Directors and Liberum and each Employee Shareholder and Founder Spouse Shareholder has given customary indemnities to Liberum.

The liability of the Employee Shareholder and Founder Spouse Shareholder under the deed poll of election is limited by both time and amount.

10.9 **Receiving Agent Agreement**

The Company entered into the Receiving Agent Agreement with the Registrar on 4 May 2016 appointing the Registrar to be its receiving agent to provide receiving agency services in respect of the arrangements with the Employee Shareholder and Founder Spouse Shareholder in respect of the Sale Shares. The Company has given customary representations, warranties and undertakings to the Registrar.

11. **UNITED KINGDOM TAXATION**

11.1 **General**

The following statements are intended to apply only as a general guide to certain United Kingdom tax considerations, and are based on current United Kingdom tax law and current published practice of HM Revenue and Customs (“**HMRC**”), both of which are subject to change at any time, possibly with retrospective effect.

The statements relate only to certain limited aspects of the United Kingdom taxation treatment of shareholders who are resident and, in the case of individuals, domiciled in (and only in) the United Kingdom for United Kingdom tax purposes (except to the extent that the position of non-United Kingdom resident shareholders is expressly referred to), who hold the Ordinary Shares as investments

(other than under an individual savings account or a self-invested personal pension) and who are the beneficial owners of the Ordinary Shares (and any dividends paid on them).

The statements may not apply to certain classes of shareholders such as (but not limited to) persons acquiring their Ordinary Shares in connection with an office or employment, dealers in securities, insurance companies, collective investment schemes, persons who own more than 10 per cent. of the Ordinary Shares or persons making or holding their investment in the Ordinary Shares with the purpose of obtaining a United Kingdom tax advantage.

Prospective subscribers for, or purchasers of, Ordinary Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Ordinary Shares or who are subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own tax advisers.

11.2 **Dividends**

The Company will not be required to withhold tax at source from dividend payments it makes.

11.2.1 **United Kingdom resident individual shareholders**

For the 2016/2017 tax year (commencing 6 April 2016) and for subsequent tax years, the rules governing the taxation of dividends in respect of UK resident shareholders have changed. There is to be a new dividend tax allowance and individuals will pay no income tax on dividend income (from any source) that is covered by the allowance. The amount of the allowance and rates of income tax on dividend income above the allowance for the tax year 2016/2017 are:

Dividend allowance	£5,000
Dividends taxed in the basic rate band	7.5%
<i>Basic Rate band</i>	£0-£32,000*
Dividends taxed in the higher rate band	32.5%
<i>Higher Rate band</i>	£32,001 – £150,000*
Dividends taxed in the additional rate band	38.1%
<i>Higher rate band</i>	£150,001 and over*

* (subject to other reliefs and allowances, including the personal allowance)

11.2.2 **Companies**

A shareholder within the charge to United Kingdom corporation tax will generally be exempt from United Kingdom corporation tax on any dividend received from the Company so long as the dividends fall within an exempt class and certain conditions are met.

11.2.3 **Non-United Kingdom resident shareholders**

A non-United Kingdom resident shareholder may be subject to taxation on dividend income under local law. A shareholder who is not solely resident in the United Kingdom for tax purposes should consult his own tax advisers concerning his tax liabilities (in the United Kingdom and any other country) on dividends received from the Company.

11.3 **Capital Gains**

A disposal or deemed disposal of Ordinary Shares by a shareholder who is resident in the United Kingdom for tax purposes may, depending on the shareholder's circumstances and subject to any available exemptions and reliefs (such as the annual exempt amount for individuals and indexation allowance for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of capital gains.

An individual shareholder who has ceased to be resident in the United Kingdom for tax purposes for a period of less than five years and who disposes of Ordinary Shares during that period may potentially be liable on his return to the United Kingdom to United Kingdom taxation on any capital gain realised (subject to detailed rules and any available exemption or relief).

If an individual shareholder who is subject to income tax at either the higher or the additional rate becomes liable to United Kingdom capital gains tax on the disposal of Ordinary Shares, the applicable

rate will be 20 per cent. For an individual shareholder who is subject to income tax at the basic rate and liable to United Kingdom capital gains tax on such disposal, the applicable rate would be 10 per cent.

11.4 **Stamp duty and stamp duty reserve tax**

No United Kingdom stamp duty will be payable on the issue by the Company of Ordinary Shares. For as long as Ordinary Shares are admitted to trading on AIM on issue (and not listed on a recognised stock exchange), their transfer will be exempt from stamp duty and agreements for their transfer will be exempt from SDRT. Otherwise, transfers of Ordinary Shares for value will generally give rise to a liability to pay United Kingdom ad valorem stamp duty, or stamp duty reserve tax, at the rate of 0.5 per cent. of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5).

11.5 **Inheritance Tax**

The Ordinary Shares will be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax. However, a holding of unquoted shares in an unquoted company can be eligible for 100 per cent. business property relief from inheritance tax provided that the business of the company does not consist wholly or mainly of dealing in stocks or shares, land or buildings or the making or holding of investments, that the investor holds the shares for the relevant qualifying period (normally two years) and other conditions for relief are satisfied.

The Company will be unquoted for these purposes for so long as its shares are admitted to trading on AIM but are not listed on any recognised stock exchange.

Shareholders of Ordinary Shares should consult an appropriate tax advisor as to any inheritance tax implications if they intend to make a gift or transfer of Ordinary Shares at less than market value or envisage that the Ordinary Shares may form part of their estate on death.

11.6 **The proposed financial transaction tax (“FTT”)**

The European Commission proposal for a common FTT continues to be considered by Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”) and a start date in June 2016 has been suggested. The proposed FTT has very broad scope and whether it might apply to certain dealings in the Ordinary Shares (including secondary market transactions) in certain circumstances remains unclear. Prospective holders of the Ordinary Shares are advised to seek their own professional advice in relation to the FTT.

12. PREMISES

12.1 The Group’s principal establishments are as follows:

<i>Name and location</i>	<i>Type of facility/Investment</i>	<i>Tenure</i>
Mint House, Newark Close, Royston SG8 5HI	Office	Leasehold
3 Redwongs Way, Huntington, Cambridgeshire PE29 7HF	Factory	Freehold
1 Glebe Road, Huntingdon, Cambridgeshire PE29 7DQ	Factory	Freehold
Unit 1B Alpha Plus, Alpha Park, St Neots, Cambridgeshire PE29 8JJ	Warehouse	Leasehold
Rabot Estate, Saint Lucia	Hotel, chocolate plantation and visitor centre	Freehold
Delcer Estate, Saint Lucia	Land	Freehold

13. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

14. LITIGATION

There are no, and during the 12 month period prior to the date of this document there have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Company's or the Group's financial position or profitability.

15. GENERAL

- 15.1 Except as disclosed in Part 1 (Information on the Group) of this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 15.2 The expenses of the Placing and Admission payable by the Company are estimated to be £2.5 million, excluding VAT and are payable by the Company.
- 15.3 Except for fees payable to the professional advisers whose names are set out on page 3 above or payments to trade suppliers or pursuant to the Capital Reorganisation, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 15.4 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 27 December 2015, the date to which the financial information set out in Section B of Part 3 has been drawn up.
- 15.5 Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 15.6 The financial information contained in this document does not constitute full statutory accounts as referred to in section 434 of the Companies Act. Statutory consolidated audited accounts of the Company, on which the auditor has given unqualified reports and which contained no statement under section 498(2) or (3) of the Companies Act, have been delivered to the Registrar of companies in respect of the three accounting periods ended 30 June 2013, 29 June 2014 and 28 June 2015.
- 15.7 BDO LLP has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Section A of Part 3 of this document in the form and context in which it appears and has authorised its report for the purposes of the AIM Rules for Companies.
- 15.8 Liberum Capital Limited has given and not withdrawn its written consent to the issue of this document and the references to them in the form and context in which such references are included.

16. SELLING SHAREHOLDERS

The names of each of the Selling Shareholders are set out below, all of whose business address is at the Company's registered office, Mint House, Newark Close, Royston, Hertfordshire, SG8 5HL:

<i>Name</i>	<i>Relationship with Company</i>	<i>Number of Placing Shares</i>
Peter Mark Harris	Development Director	6,756,757
Angus Thirlwell	Chief Executive Officer	6,756,757
Matthew Robert Phillip Pritchard	Chief Financial Officer	593,135
Matthew Paul Margerson	Chief Operations Officer	593,135
Melissa Victoria Shackleton	Employee	78,887
Paul Stuart Bathurst	Employee	78,887
Matthew Thomas Dickens	Employee	78,887
Adam Theodore Geileskey	Employee	78,887
Helen Sandell	Employee	78,887
Roger Alastair Williams	Employee	59,313
James Mark Waters	Employee	59,313
Angela Marie Summers	Employee	59,313
Stephen Matthew Carpenter	Employee	59,313
Joanne Claire Harrison	Employee	59,313
Dave John Burton	Employee	59,313
Simon James Shutt	Ex-Employee	39,439
Heather Frances Blackman	Ex-Employee	359,423
Edwina Rae Harris	Peter Harris' spouse	6,756,756
Libby Thirlwell	Angus Thirlwell's spouse	6,756,756

17. AVAILABILITY OF DOCUMENT

Copies of this document will be available free of charge to the public at the registered office of the Nominated Adviser during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling one month after the date of Admission.

PART 5

TERMS AND CONDITIONS OF THE PLACING

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF THE FSMA, AS AMENDED, (“QUALIFIED INVESTORS”) BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE INCLUDING ANY RELEVANT IMPLEMENTING DIRECTIVE MEASURE IN ANY MEMBER STATE; (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO: (I) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”); (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC) OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

(a) Introduction

These terms and conditions apply to persons making an offer to acquire Placing Shares under the Placing. Each person to whom these conditions apply, as described above, who confirms his agreement to Liberum and the Company (whether orally or in writing) to acquire Placing Shares under the Placing (an “Investor”) hereby agrees with Liberum and the Company to be bound by the contract note issued by Liberum to such Investor and these terms and conditions, being the terms and conditions upon which Placing Shares will be sold under the Placing. An Investor shall, without limitation, become so bound if Liberum confirms to such Investor (i) the Placing Price and (ii) its allocation of Placing Shares under the Placing.

Upon being notified of the Placing Price and its allocation of Placing Shares in the Placing, an Investor shall be contractually committed to acquire the number of Placing Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment. Dealing may not begin before any notification is made.

Each Selling Shareholder has undertaken that the Placing Shares will be sold fully paid and with full title guarantee.

(b) Agreement to acquire Placing Shares

Conditional on: (i) Admission occurring and becoming effective by 8.00 a.m. (London time) on 10 May 2016 (or such later time and/or date as the Company and Liberum may agree) and on the Placing Agreement being otherwise unconditional in all respects and not having been terminated in accordance with its terms on or before Admission; and (ii) the confirmation mentioned under paragraph (a) above, an Investor agrees to become a member of the Company and agrees to acquire Placing Shares at the Placing Price. The number of Placing Shares acquired by such Investor under the Placing shall be in accordance with the arrangements described above.

(c) Payment for Placing Shares

Each Investor undertakes to pay the Placing Price for the Placing Shares acquired by such Investor in such manner as shall be directed by Liberum. In the event of any failure by an Investor to pay as so directed by Liberum, the relevant Investor shall be deemed hereby to have appointed Liberum or its nominee to sell (in one or more transactions) any or all of the Placing Shares in respect of which payment has not been made as so directed by Liberum and to have agreed to indemnify on demand Liberum in respect of any liability for stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales.

(d) Representations and warranties

By receiving this document, each Investor and, to the extent applicable, any person confirming his agreement to acquire Placing Shares on behalf of an Investor or authorising Liberum to notify an Investor's name to the Registrars, is deemed to acknowledge, agree, undertake, represent and warrant to each of Liberum, the Registrars and the Company that:

- (i) the Investor has read this document in its entirety and acknowledges that its participation in the Placing shall be made solely on the terms and subject to the conditions set out in these terms and conditions, the Placing Agreement and the Articles. Such Investor agrees that these terms and conditions and the contract note issued by Liberum to such Investor represent the whole and only agreement between the Investor, Liberum and the Company in relation to the Investor's participation in the Placing and supersedes any previous agreement between any of such parties in relation to such participation. Accordingly, all other terms, conditions, representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of these terms and conditions. Such Investor agrees that none of the Company, Liberum nor any of their respective officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- (ii) the content of this document is exclusively the responsibility of the Company and the Directors and that neither Liberum nor any person affiliated with Liberum or acting on its behalf is responsible for or shall have any liability for any information, representation or statement contained in this document or any supplementary admission document (as the case may be) or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by an Investor to participate in the Placing based on any information, representation or statement contained in this document or otherwise;
- (iii) the Investor has not relied on Liberum or any person affiliated with Liberum in connection with any investigation of the accuracy of any information contained in this document or their investment decision;
- (iv) in agreeing to acquire Placing Shares under the Placing, the Investor is relying on this document or any supplementary admission document (as the case may be) and not on any draft thereof or other information or representation concerning the Group, the Placing or the Placing Shares. Such Investor agrees that neither the Company nor Liberum nor their respective officers, directors or employees will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- (v) Liberum is not making any recommendations to Investors or advising any of them regarding the suitability or merits of any transaction they may enter into in connection with the Placing, and each Investor acknowledges that participation in the Placing is on the basis that it is not and will not be a client of Liberum and that Liberum is acting for the Company and no one else, and Liberum will not be responsible to anyone else for the protections afforded to its clients, and that Liberum will not be responsible for anyone other than the Company for providing advice in relation to the Placing, the contents of this document or any transaction, arrangements or other matters referred to herein, and Liberum will not be responsible for anyone other than the relevant party to the Placing Agreement in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement or for the exercise or performance of Liberum's rights and obligations thereunder, including any right to waive or vary any condition or exercise any termination right contained therein;
- (vi) save in the event of fraud on its part (and to the extent permitted by the rules of the Financial Conduct Authority), neither Liberum nor any of its directors or employees shall be liable to an Investor for any matter arising out of the role of Liberum as the Company's nominated adviser and broker or otherwise, and that where any such liability nevertheless arises as a matter of law each Investor will immediately waive any claim against Liberum and any of its respective directors and employees which an Investor may have in respect thereof;
- (vii) the Investor has complied with all applicable laws and such Investor will not infringe any applicable law as a result of such Investor's agreement to acquire Placing Shares under the Placing and/or acceptance thereof or any actions arising from such Investor's rights and obligations under the

- Investor's agreement to acquire Placing Shares under the Placing and/or acceptance thereof or under the Articles;
- (viii) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of necessary consents) in order: (i) to enable the Investor lawfully to enter into, and exercise its rights and perform and comply with its obligations to acquire the Placing Shares under the Placing; and (ii) to ensure that those obligations are legally binding and enforceable, have been taken, fulfilled and done. The Investor's entry into, exercise of its rights and/or performance under, or compliance with its obligations under the Placing, does not and will not violate: (a) its constitutive documents; or (b) any agreement to which the Investor is a party or which is binding on the Investor or its assets;
 - (ix) it understands that no action has been or will be taken in any jurisdiction by the Company, Liberum or any other person that would permit a public offering of the Placing Shares, or possession or distribution of this document, in any country or jurisdiction where action for that purpose is required; and that, if the Investor is in a relevant member state, it is: (i) a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, its corporate purpose is solely to invest in securities; (ii) a legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual net turnover of more than €50,000,000, in each case as shown in its last annual or consolidated accounts; (iii) otherwise permitted by law to be offered and sold Placing Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive or other applicable laws; or (iv) in the case of any Placing Shares acquired by an Investor as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, either:
 1. the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their placing or resale to, persons in any relevant member state other than qualified investors, as that term is defined in the Prospectus Rules, or in circumstances in which the prior consent of Liberum has been given to the placing or resale; or
 2. where Placing Shares have been acquired by it on behalf of persons in any relevant member state other than qualified investors, the placing of those Placing Shares to it is not treated under the Prospectus Rules as having been made to such persons;
 - (x) to the fullest extent permitted by law, the Investor acknowledges and agrees to the disclaimers contained in this document and acknowledges and agrees to comply with the selling restrictions set out in this document;
 - (xi) the Placing Shares have not been and will not be registered under the Securities Act or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa or where to do so may contravene local securities laws or regulations;
 - (xii) the Investor is, and at the time the Placing Shares are acquired, will be located outside the United States and eligible to participate in an "offshore transaction" as defined in and in accordance with Regulation S;
 - (xiii) the Investor is not acquiring the Placing Shares as a result of any "directed selling efforts" as defined in Regulation S or as a result of any form of general solicitation or general advertising (within the meaning of Rule 502(c) of Regulation D under the Securities Act);
 - (xiv) if it is acquiring the Placing Shares for the account of one or more other persons, it has full power and authority to make the representations, warranties, agreements and acknowledgements herein on behalf of each such account;
 - (xv) the Investor is acquiring the Placing Shares for investment purposes only and not with a view to any resale, distribution or other disposition of the Placing Shares in violation of the Securities Act or any other United States federal or applicable state securities laws;
 - (xvi) the Company is not obliged to file any registration statement in respect of resales of the Placing Shares in the United States with the US Securities and Exchange Commission or with any state securities administrator;
 - (xvii) the Company, and any registrar or transfer agent or other agent of the Company, will not be required to accept the registration of transfer of any Placing Shares acquired by the Investor, except upon

- presentation of evidence satisfactory to the Company that the foregoing restrictions on transfer have been complied with;
- (xviii) the Investor invests in or purchases securities similar to the Placing Shares in the normal course of its business and it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Placing Shares;
 - (xix) the Investor has conducted its own investigation with respect to the Company and the Placing Shares and has had access to such financial and other information concerning the Company and the Placing Shares as the Investor deemed necessary to evaluate the merits and risks of an investment in the Placing Shares, and the Investor has concluded that an investment in the Placing Shares is suitable for it or, where the Investor is not acting as principal, for any beneficial owner of the Placing Shares, based upon each such person's investment objectives and financial requirements;
 - (xx) the Investor or, where the Investor is not acting as principal, any beneficial owner of the Placing Shares, is able to bear the economic risk of an investment in the Placing Shares for an indefinite period and the loss of its entire investment in the Placing Shares;
 - (xxi) there may be adverse consequences to the Investor under tax laws in other jurisdictions resulting from an investment in the Placing Shares and the Investor has made such investigation and has consulted such tax and other advisors with respect thereto as it deems necessary or appropriate;
 - (xxii) the Investor is not a resident of the United States, Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa and acknowledges that the Placing Shares have not been and will not be registered nor will a prospectus be prepared in respect of the Placing Shares under the securities legislation of the United States, Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa and, subject to certain exceptions, the Placing Shares may not be offered or sold, directly or indirectly, in or into those jurisdictions;
 - (xxiii) the Investor is liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by it or any other person on the acquisition by it of any Placing Shares or the agreement by it to acquire any Placing Shares;
 - (xxiv) in the case of a person who confirms to Liberum on behalf of an Investor an agreement to acquire Placing Shares under the Placing and/or who authorises Liberum to notify such Investor's name to the Registrars, that person represents that he has authority to do so on behalf of the Investor;
 - (xxv) the Investor has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 and any other applicable law concerning the prevention of money laundering and, if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Money Laundering Regulations 2007 and, in each case, agrees that pending satisfaction of such obligations, definitive certificates (or allocation under the CREST system) in respect of the Placing Shares comprising the Investor's allocation may be retained at Liberum's discretion;
 - (xxvi) the Investor agrees that, due to anti-money laundering and the countering of terrorist financing requirements, Liberum and/or the Company may require proof of identity of the Investor and related parties and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the Investor to produce any information required for verification purposes, Liberum and/or the Company may refuse to accept the application and the moneys relating thereto. It holds harmless and will indemnify Liberum and/or the Company against any liability, loss or cost ensuing due to the failure to process this application, if such information as has been required has not been provided by it or has not been provided on a timely basis;
 - (xxvii) the Investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);
 - (xxviii) the Investor has complied with and will comply with all applicable provisions of FSMA with respect to anything done by the Investor in relation to the Placing in, from or otherwise involving the UK;
 - (xxix) if the Investor is in the UK, the Investor is a person: (i) who has professional experience in matters relating to investments falling within article 19(5) of the Order; or (ii) a high net worth entity falling

within article 49(2)(a) to (d) of the Order; or (iii) are persons to whom it may otherwise be lawfully communicated, and in all cases is capable of being categorised as a Professional Client or Eligible Counterparty for the purposes of the Financial Conduct Authority Conduct of Business Rules;

- (xxx) if the Investor is in the EEA, the person is a “Professional Client/Eligible Counterparty” within the meaning of Annex II/Article 24 (2) of MiFID and is not participating in the Placing on behalf of persons in the EEA other than professional clients or persons in the UK and other Member States (where equivalent legislation exists) for whom the Investor has authority to make decisions on a wholly discretionary basis;
- (xxxii) each Investor in a relevant member state of the EEA who acquires any Placing Shares under the Placing contemplated hereby will be deemed to have represented, warranted and agreed with each of Liberum and the Company that: (i) it is a qualified investor within the meaning of the law in that relevant member state implementing Article 2(1) of the Prospectus Directive; and (ii) in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (A) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of Liberum has been given to the offer or resale; or (B) where Placing Shares have been acquired by it on behalf of persons in any relevant member state other than qualified investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- (xxxiii) in the case of a person who confirms to Liberum on behalf of an Investor an agreement to acquire Placing Shares under the Placing and who is acting on behalf of a third party, that the terms on which the Investor (or any person acting on its behalf) are engaged enable it to make investment decisions in relation to securities on that third party's behalf without reference to that third party;
- (xxxiv) the exercise by Liberum of any rights or discretions under the Placing Agreement shall be within its absolute discretion and Liberum need not have any reference to any Investor and shall have no liability to any Investor whatsoever in connection with any decision to exercise or not to exercise or to waive any such right and each Investor agrees that it shall have no rights against Liberum or any of its directors or employees under the Placing Agreement;
- (xxxv) it irrevocably appoints any director of Liberum as its agent for the purposes of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares agreed to be taken up by it under the Placing and otherwise to do all acts, matters and things as may be necessary for, or incidental to, its acquisition of any Placing Shares in the event of its failure so to do;
- (xxxvi) it will indemnify and hold the Company, Liberum and its respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this paragraph (d) and further agrees that the provisions of this paragraph (d) will survive after completion of the Placing;
- (xxxvii) Liberum may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Placing Shares and/or related instruments for its own account and, except as required by applicable law or regulation, Liberum will not make any public disclosure in relation to such transactions; and
- (xxxviii) Liberum and each of its respective affiliates, each acting as an investor for its or their own account(s), may bid or subscribe for and/or purchase Placing Shares and, in that capacity, may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Placing Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by Liberum and/or any of its respective affiliates, acting as an investor for its or their own account(s). Neither Liberum nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

The Company and Liberum will rely upon the truth and accuracy of each of the foregoing representations, warranties and undertakings.

(e) Supply and disclosure of information

If any of Liberum, the Registrars or the Company or any of their respective agents request any information about an Investor's agreement to acquire Placing Shares, such Investor must promptly disclose it to them and ensure that such information is complete and accurate in all respects.

(f) Miscellaneous

The rights and remedies of Liberum, the Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them, and the exercise or partial exercise of one will not prevent the exercise of others.

- (i) On application, each Investor may be asked to disclose, in writing or orally to Liberum:
 - 1. if he is an individual, his nationality; or
 - 2. if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.
- (ii) All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to Liberum.
- (iii) Each Investor agrees to be bound by the Articles (as amended from time to time) once the Placing Shares which such Investor has agreed to acquire have been acquired by such Investor.
- (iv) The provisions of this Part 5 may be waived, varied or modified as regards specific Investors or on a general basis by Liberum.
- (v) The contract to acquire Placing Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Liberum, the Company and the Registrars, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.
- (vi) In the case of a joint agreement to acquire Placing Shares, references to an "Investor" in these terms and conditions are to each of such Investors and such joint Investors' liability is joint and several.
- (vii) Liberum and the Company each expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations of Placing Shares under the Placing are determined.
- (viii) The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in paragraph 10.1 of Part 4 (Additional Information) of this document.

Dated 5 May 2016

