2 March 2022

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

Hotel Chocolat Group plc, a direct-to-consumer premium chocolate brand, today announces its interim results for the 26 weeks ended 26 December 2021. All numbers are shown post-IFRS16 unless otherwise stated.

Financial highlights:

- Revenue up 40% to £142.9m (H1 FY21: £101.9m)
- Underlying EBITDA up 35% to £33.8m (H1 FY21: £24.9m)[1]
- Profit before tax up 56% to £24.1m (H1 FY21: £15.5m)
- Strong balance sheet with net cash at period end of £53.8m (H1 FY21: £45.6m)
- Earnings per share of 14.2p (H1 FY21: 9.7p)
- Investing for growth with 50% of placing proceeds deployed.
- Interim dividend of Nil per share (H1 FY21: Nil)

[1] Underlying EBITDA in H1 FY22 excludes £1.5m of share-based payment charges (H1 FY21: £0.2m).

Operational highlights:

- Strong sales growth reflecting growing brand appeal in the UK, US and Japan
- 38% increase in active UK customer database to 2.3m
- Digital-led growth in USA, active customer numbers grew by 119%
- Japanese joint-venture's sales to consumers grew 131%.
- Inflationary impacts mitigated with profit growing faster than sales growth
- Sustainability programmes made further progress with the on the ground launch of a new 'Gentle Farming' approach for cocoa growing in Ghana

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

"I am delighted that we have achieved a great set of results both in terms of sales and profits, indicating the global strength of the Hotel Chocolat brand and our direct-to-consumer business model. These results enable continued new job creation based in our British manufacturing operations, as well as roles in technology and multi-channel retailing.

"In the UK, we continued to entice many new customers to Hotel Chocolat, growing our active customer database by 38% to 2.3m. Our unparalleled pipeline of new product launches means I am confident we will be able to excite and retain their custom for many years ahead. In the US, our digital model drove an increase of 119% in our active customer database, with our Velvetiser in-home drinks system proving a great hit, and in Japan our customer database grew strongly, with the JV business now truly multi-channel, across online, digital partners, and 31 stores.

"A key personal highlight in the period took place in Ghana, where we launched our pioneering Gentle Farming programme, meeting with farming families, local community groups, and the government. Our programme funds an achievable decent living income, hand-in-hand with replanting indigenous trees to shade the cacao and regenerate biodiversity.

"The last two years have been a period of very significant change both globally and within the business as we have evolved from a UK store-led brand to a globally ambitious digital-led brand with a broad-range of luxury cacao products. The team has successfully managed to adapt to the continuously changing landscape and we have remained focused on our opportunities, delivering a sustained acceleration in growth over the last 18 months.

"Since the end of the financial reporting period, trading has continued to be in line with the Board's expectations. The multi-channel performance of the UK remains encouraging, and the new markets continue to show promising potential for growth and profitability.

"A focus on bringing happiness through chocolate in every aspect of our business model will further strengthen and nurture the appeal of our brand, helping us achieve our goal of becoming the leading global direct-to-consumer premium chocolate brand"

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Notes to Editors:
Hotel Chocolat is a direct-to-consumer premium chocolate brand, involved in every stage of chocolate from growing to making and distributing. The business was founded in 1993 by Angus Thirlwell and Peter Harris and has traded under the Hotel Chocolat brand since 2003. The Group sells its products online and through a network of locations in the UK and USA, and in Japan via a joint-venture. The Group has an organic cacao farm and hotel in Saint Lucia, offering complete cacao immersion through tree-to-bar experiences in a UNESCO World Heritage Site. The Group was admitted to trading on AIM in 2016.

Chief Executive's statement (inclusive of financial review)

RESULTS

	Period ended 26 December 2021 £000	Period ended 27 December 2020 £000
Revenue	**142,934**	**101,896**
Gross profit	85,535	62,206
Operating expenses	(51,776)	(37,256)
Underlying EBITDA	**33,759**	**24,950**
Share-based payments	(1,465)	(197)
EBITDA	32,294	24,753
Depreciation & amortisation of property, plant & equipment	(3,383)	(3,153)
Loss on disposal of property, plant & equipment	(14)	(23)
Depreciation of Right of Use asset	(4,273)	(5,081)
Operating profit	**24,624**	**16,496**
Finance income	205	79
Finance expense	(774)	(897)
Share of joint venture results	-	(219)
Profit/(Loss) before tax	**24,055**	**15,459**
Tax expense	(4,784)	(3,321)
Profit for the period	**19,271**	**12,138**
Earnings per share – Basic	14.2	9.7
Earnings per share – Diluted	14.2	9.6
Dividend per share	Nil	Nil

CHIEF EXECUTIVE'S STATEMENT

I am pleased to report strong progress for Hotel Chocolat during the 26 weeks to 26 December 2021. Revenue for the period increased by 40% year-on-year and profit before tax increased by 56%.

Our strong brand and direct-to-consumer multi-channel model accelerated further in the UK, whilst the US and Japan both continued to deliver promising growth.

Brand

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

1/Originality - *nurturing creativity to bring real innovation*

Our stunning new Christmas and Holiday box designs with hand-tooled snowflake embossing demonstrated our in-house design skills driving a lift in sales of gifts. The further evolution of the Velvetiser in-home drinks concept with rolling momentum on recipes also evidenced our innovation capabilities.

2/ Authenticity - *being the real deal in people and products*

With consumers increasingly looking for brands that are true, we saw growing loyalty, repaying our investments and belief in the importance of authenticity. This is driven by products that hero cacao not sugar, and a team who know their stuff, with expertise all the way from designing and growing, to making, retailing, and delivering.

3/ Ethics - *using what we have to bring happiness to all stakeholders - our Hotel Chocolat family, our customers, our growers, our partners, our communities and our planet*

The Gentle Farming initiative evidenced our progress. I have been in countless cacao industry conferences over the last 20 years with endless promises and lots of talking, but little real progress on alleviating the subsistence farming that causes a poverty trap leading to the desperation where child slavery and other unethical behaviours can develop.

We have been learning and experimenting with cacao growing on our own farm and this is where our concept of Gentle Farming originated: pay more to the farmer in return for increasing bio-diversity for the benefit of all. The cacao tree thrives growing in the shade of other trees, rather than as a mono-culture. Working with The Eden Project, we honed the idea in order to be ready to launch to our c2,500 farming families in the Eastern Region of Ghana last November. This is a long-term commitment by Hotel Chocolat, and we will be reporting on progress transparently.

We also opened Project Chocolat, our new visitor attraction on our organic cacao farm in Saint Lucia which gives visitors first-hand experience of our roots to wrapper approach.

Customers

Most scaled chocolate brands focus on FMCG, selling mainly through grocery, which is the largest distribution channel globally for chocolate. Our huge advantage, as we see it, is that we know who our customers are and can develop a close relationship, without intermediaries. We can see the behaviours of our 'wide church' of customers across multiple different cohorts and adapt our conversations with them to be best matched. We can predict which cohorts would most like to hear about our latest product concepts and invest in earning enduring loyalty.

All markets and channels are focused on developing the active customer database. We view stores as a prolific way of recruiting and retaining multi-channel customers, as well as trading profitably through the till too. We view wholesale partnerships as an opportunity to advertise our brand to discrete customer pools using tightly curated range collections.

Our team

The Hotel Chocolat Family, has been put to the test over the last two years, as have all families and businesses. We drew on our culture and worked as a team to 'keep the chocolat flowing', behaving with 'equality, respect and grace' and following our 'be brave, be kind' principle. We know that we could not have achieved these results without our team cultural strength.

Markets
All markets achieved growth. Whilst we have yet to reach overall profitability in the US & Japan, we have a clear line of sight as to how we can achieve this, with clear strategies and KPIs measuring our progress. This of course will unlock huge growth potential in two of the largest chocolate gifting and home-barista markets in in the world.

Group H1 Sales by location YoY[1]	Sales £m	*YOY %*
UK & Rest of World	139.7	*39%*
USA	2.0	*120%*
St Lucia	1.2	*755%*
Group Total[1]	**142.9**	***40%***
Memo: Japan JV sales to end- consumers at final retail price	*5.0*	*131%*

1) Wholesale sales made by the Group to the JV are reported in the Group total within UK & rest of world

UK
It was a mark of our brand appeal and direct marketing skills that we attracted over 0.6m new active customers during the year, increasing our active database to 2.3m. A combination of compelling product ranges and data-driven marketing were the key to this growth. Active relationship management programmes give us proven opportunities to attract more attention from our customers through an annual calendar across categories, across channels and across seasons and occasions.

We remain fully committed to physical locations as a powerful way to recruit profitable new multi-channel customers. We opened two new stores and relocated four to significantly larger and better sites on improved lease terms. We have already negotiated ongoing improved lease terms for 35% of our leases, with a further 43% of locations having a lease event in the next 24 months. As planned, we will use these opportunities to renegotiate or upgrade to better sites on better deals.

USA
Since late 2020, our strategy has been digital focused, driving overall +150%[2] growth in sales with active customers up by 119%. Given three of the four physical locations were in commuter locations, we decided to close the stores and focus on optimising range and supply for the online business model. The brand is proving to have strong customer appeal, so

focusing on supply chain efficiency and honing the range to ensure both customer relevance and profitability enhances the scaling potential of the model.

2) At constant exchange rates, sales at consumer prices excluding fulfilment revenue-share deductions

Japan
Our joint venture had fast growth, with consumer sales up by 131%. We opened nine new stores in the period taking the total to 31, whilst also growing online and digital partner channels. Whilst the government never mandated lockdowns, ongoing public health guidance continues to result in lower retail footfall during the pandemic. Despite this the active database grew by 1,000% proving the popularity of our VIP Me loyalty programme.

Saint Lucia
Visitor numbers have begun to recover significantly. We invested to extend the Rabot Hotel and opened our Project Chocolat visitor attraction on our organic farm, where we originated Gentle Farming. Both are well positioned to capitalise on the recovery in visitor numbers to the island, who come predominantly from USA and UK.

Operations
We continued to invest in capacity, and were able to mitigate inflationary pressures, with a combination of improved efficiency and scale economies. Having installed a new hot chocolate production line to support Velevetiser, a new chocolate production line is on track for installation this autumn increasing chocolate-making capacity by over 60%.

FINANCIAL REVIEW
Revenue
Group revenue increased by 40% year-on-year to £142.9m, driven by multi-channel growth in the UK, USA & Japan.

Profit before tax
Profit before tax increased by 56% year-on-year to £24.1m.

Gross margin
Gross margin declined by 120 basis points from 61.0% to 59.8%. Whilst all channels grew sales, online and wholesale both grew faster than retail which has higher gross margins. Higher input costs reduced gross margin by 80 basis points, and FX by 10 basis points. A higher proportion of sales were generated from third party-produced products which have lower gross margins but also incur lower overheads. The impact of category mix was partly offset by price adjustments which were timed to coincide with the improvements from the refreshed gifting product range.

Operating expenses
Operating expenses grew more slowly than sales, diluting by 40 basis points. Within this a planned investment in increased customer acquisition marketing increased operating expense by 330 basis points, but this was more than offset by a 370 basis points dilution in other operating expenses as a result of efficiencies and scale economies.

Underlying EBITDA
Underlying EBITDA is a non-GAAP measure and increased 35% year-on-year to £33.8m.

Share based payments
Share-based payment expense of £1.5m (H1 FY21: £0.2m) related to the share-based Long-Term Incentive Plan and an all-employee Save As You Earn plan.

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

Finance income and expense
Finance expense of £0.8m reflects £0.5m of interest charged in relation to Right of use Assets, £0.2m of interest for the RCF that the Group has in place, and £0.1m of realised derivative interest. Finance income of £0.2m is driven primarily by interest from a related party.

Earnings per share

Basic earnings per share in the period increased 47% to 14.2p (H1 FY21: 9.7p). The effective tax rate for the year was 19.9%, compared to the prior year effective tax rate of 21.5%.

Dividend

In order to fund an acceleration in growth, the Group raised a total of £60m equity via placings in 2020 and 2021 and paused its progressive dividend policy. The Board are mindful of the potential growth opportunities in the USA and Japan, and the Board will continue to review potential reinstatement of any dividend relative to the potential opportunities for re-investment in service of profitability and growth.

Cash flow and closing cash position

The Group had access to a £30m Revolving credit facility (RCF) with Lloyds Bank, and a further £20m RCF was added during the period with Bank of Ireland. Net cash inflow from operating activities was £29m (H1 FY21: £33m), operating profits grew strongly, working capital increased £3.6m in the period in comparison to an £8m reduction in H1 FY21, primarily as a result of building inventory for continued sales growth, and for restocking stores that were closed in Q3 FY21 due to UK lockdowns. Net cash (being cash minus borrowings) at the end of the period was £53.8m (H1 FY21: £45.6m).

The strong cash position is a result of the strong sales performance and cost management. Prior to the date of publication, as at 27th February 2022 the Group has net cash of £27m.

OUTLOOK

Since the end of the financial reporting period, trading has continued to be in line with the Board's expectations. The multi-channel performance of the UK remains encouraging, and the new markets continue to show promising potential for growth and profitability.

A focus on bringing happiness through chocolate in every aspect of our business model will further strengthen and nurture our brand appeal, helping us achieve our business goal of becoming the leading global direct-to-consumer premium chocolate brand.

Angus Thirlwell
Co-founder and Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 26 December 2021

	Notes	*Unaudited* 26 weeks ended 26 December 2021 £'000	*Unaudited* 26 weeks ended 27 December 2020 £'000
Revenue		142,934	101,896
Cost of sales		(57,399)	(39,690)
		85,535	62,206
Operating expenses		(60,911)	(45,710)
	3	24,624	16,496
Finance income	4	205	79
Finance expenses	4	(774)	(897)
Share of joint venture results		-	(219)
Profit before tax		24,055	15,459
Tax expense		(4,784)	(3,321)
Profit for the period		19,271	12,138
Other comprehensive income:			
Fair Value movement on hedges		583	(1,054)
Deferred tax charge on hedges		(93)	175
Currency translation differences arising from consolidation		107	(736)
Currency movement on net investment		428	(572)
Total comprehensive income for the period		20,296	9,951
Basic Earnings per share	5	14.2p	9.7p
Diluted Earnings per share	5	14.2p	9.6p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 26 December 2021

	Notes	*Unaudited* As at 26 December 2021 £'000	Restated* *Unaudited* As at 27 December 2020 £'000	*Audited* As at 27 June 2021 £'000
ASSETS				
Non-current assets				
Intangible assets		5,161	3,192	3,976
Property, plant and equipment	6	65,005	44,159	53,496
Right of use asset	6	27,565	37,896	30,357
Investment in joint ventures		-	81	-
Loan to joint venture		19,482	9,678	12,153
Derivative financial assets		-	10	-
Deferred tax asset		-	916	479
		117,213	95,932	100,461
Current assets				
Derivative financial assets		-	402	-
Inventories		41,637	15,544	32,038
Trade and other receivables*	7	25,628	19,749	12,421
Corporation tax receivable		-	-	1,049
Cash and cash equivalents*		53,788	45,560	10,046
		121,053	81,255	55,554
Total assets		**238,266**	**177,187**	**156,015**
LIABILITIES				
Current liabilities				
Trade and other payables	8	64,373	50,484	42,223
Corporation tax payable		965	2,580	-
Derivative financial liabilities		293	392	925
Lease liabilities		9,008	13,735	9,061
		74,639	67,191	52,209
Non-current liabilities				
Other payables and accruals	8	-	26	2
Derivative financial liabilities		99	5	28
Deferred tax liabilities		1,622	-	-
Lease liabilities		27,568	31,345	30,503
Provisions		1,598	956	1,585
		30,887	32,332	32,118
Total liabilities		**105,526**	**99,523**	**84,327**
NET ASSETS		**132,740**	**77,664**	**71,688**
EQUITY				
Share capital		137	126	126
Share premium		77,800	37,726	38,684
Retained earnings		48,246	36,417	28,976
Translation reserve		861	843	754
Merger reserve		223	223	223
Capital redemption reserve		6	6	6
Other reserves		5,467	2,323	2,919
Total equity attributable to shareholders		**132,740**	**77,664**	**71,688**

*Restated 26 weeks ended 27 December 2020 – see note 7 for more information.

CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 26 December 2021

	Notes	*Unaudited* 26 weeks ended 26 December 2021 £'000	Restated* *Unaudited* 26 weeks ended 27 December 2020 £'000
Profit before tax for the period		24,055	15,459
Adjusted by:			
Depreciation of property, plant and equipment	6	2,702	2,749
Depreciation of Right of use asset		4,273	5,081
Amortisation of intangible assets		681	404
Loss of joint ventures		-	219
Profit recognised on lease modifications		-	(75)
Net interest expense		569	818
Share-based payments		1,465	197
Loss on disposal of property, plant and equipment and intangible assets		14	23
Operating cash flows before movements in working capital		**33,759**	**24,875**
Increase in inventories		(12,222)	(1,628)
Increase in trade and other receivables*		(13,589)	(14,111)
Increase in trade and other payables and provisions		22,232	23,771
Cash inflow generated from operations*		**30,180**	**32,907**
Interest received		3	3
Income tax received/(paid)		(534)	751
Interest paid on:			
- interest paid – IFRS leases		(466)	(302)
- derivative financial instruments		(48)	(101)
- bank loans and overdraft		(218)	(125)
Cash flows from operating activities*		**28,917**	**33,133**
Purchase of property, plant and equipment		(13,629)	(6,402)
Proceeds from disposal of property, plant and equipment		-	-
Investment in joint venture		-	(300)
Loan to joint venture		(4,200)	(3,900)
Purchase of intangible assets		(1,876)	(751)
Cash flows used in investing activities		**(19,705)**	**(11,353)**
Proceeds on issue of shares		40,250	99
Costs associated to issue of ordinary shares		(998)	-
Capital element of hire purchase and finance leases repaid		-	-
Payment of IFRS16 lease liabilities		(4,738)	(3,758)
Dividends paid		-	-
Cash flows used in financing activities		**34,514**	**(3,659)**
Net change in cash and cash equivalents*		43,726	18,121
Cash and cash equivalents at beginning of period*		10,046	27,503
Foreign currency movements		16	(64)
Cash and cash equivalents at end of period*		**53,788**	**45,560**

*Restated 26 weeks ended 27 December 2020 – see note 7 for more information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 26 December 2021

	Share capital £000s	Share Premium £000s	Retained earnings £000s	Translation reserve £000s	Merger reserve £000s	Capital redemption reserve £000s	Other reserves £000s*	Total £000s
Restated Equity as 28 June 2020*	**126**	**37,627**	**23,290**	**1,579**	**223**	**6**	**4,139**	**66,990**
Fair value movement on hedges	-	-	-	-	-	-	(1,054)	(1,054)
Deferred tax charge on hedges	-	-	-	-	-	-	175	175
Currency translation differences arising from consolidation	-	-	-	(736)	-	-	-	(736)
Profit for the period	-	-	12,138	-	-	-	-	12,138
Total comprehensive income for the period	**-**	**-**	**12,138**	**(736)**	**-**	**-**	**(879)**	**10,523**
Issue of share capital	-	99	-	-	-	-	-	99
Share-based payments	-	-	-	-	-	-	197	197
Deferred tax charge on share-based payments	-	-	-	-	-	-	173	173
Forex reclasssified to cost of sales and inventory	-	-	-	-	-	-	254	254
Currency movement on net investment	-	-	-	-	-	-	(572)	(572)
Restated Equity as at 27 December 2020	**126**	**37,726**	**35,428**	**843**	**223**	**6**	**3,312**	**77,664**
Fair value movement on hedges	-	-	-	-	-	-	(843)	(843)
Deferred tax charge on hedges	-	-	-	-	-	-	133	133
Currency translation differences arising from consolidation	-	-	-	(89)	-	-	-	(89)
Profit for the period	-	-	(6,453)	-	-	-	-	(6,453)
Total comprehensive income for the period	**-**	**-**	**(6,453)**	**(89)**	**-**	**-**	**(710)**	**(7,252)**
Issue of share capital	-	959	-	-	-	-	-	959
Dividends	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	714	714
Deferred tax charge on share-based payments	-	-	-	-	-	-	(184)	(184)
Current tax of share-based payments	-	-	-	-	-	-	56	56
Forex reclassified to cost of sales and inventory	-	-	-	-	-	-	(111)	(111)
Long-term loan reserve	-	-	-	-	-	-	(158)	(158)
Equity as at 27 June 2021	**126**	**38,685**	**28,975**	**754**	**223**	**6**	**2,919**	**71,688**

*Restated 52 weeks ended 28 June 2020 – see Hotel Chocolat Group Annual Report for more information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the period ended 26 December 2021

	Share capital £000s	Share Premium £000s	Retained earnings £000s	Translation reserve £000s	Merger reserve £000s	Capital redemption reserve £000s	Other reserves £000s	Total £000s
Equity as at 27 June 2021	**126**	**38,685**	**28,975**	**754**	**223**	**6**	**2,919**	**71,688**
Fair value movement on hedges	-	-	-	-	-	-	583	583
Deferred tax charge on hedges	-	-	-	-	-	-	(93)	(93)
Currency translation differences arising from consolidation	-	-	-	107	-	-	-	107
Profit for the period	-	-	19,271	-	-	-	-	19,271
Total comprehensive income for the period	**-**	**-**	**19,271**	**107**	**-**	**-**	**490**	**19,868**
Issue of share capital	11	39,115	-	-	-	-	-	39,126
Dividends	-	-	-	-	-	-		
Share-based payments	-	-	-	-	-	-	1,465	1,465
Deferred tax charge on share-based payments	-	-	-	-	-	-	230	230
Forex reclassified to cost of sales and inventory	-	-	-	-	-	-	(65)	(65)
Long-term loan reserve	-	-	-	-	-	-	428	428
Equity as at 26 December 2021	**137**	**77,800**	**48,246**	**861**	**223**	**6**	**5,467**	**132,740**

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by UK international accounting standards.

The accounts have been prepared in accordance with accounting policies that are consistent with the Group's Annual Report and Accounts for the period ended 27 June 2021.

The Group's Annual Report and Accounts for the period ended 26 June 2022 are expected to be prepared under UK IFRS.

The comparative financial information for the period ended 27 June 2021 in this interim report does not constitute statutory accounts for that period under 435 of the Companies Act 2006.

Statutory accounts for the period ended 27 June 2021 have been delivered to the Registrar of Companies.

The auditors' report on the accounts for 27 June 2021 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Significant accounting policies

At the year ended 27 June 2021 the Directors undertook a rigorous review of financial forecasts and available resources in order to consider the Group's ability to trade as a going concern.

The assessment included a review of a Base case and Downside scenario. The base case assumed ongoing growth in FY22 as the Group evolves from a UK-store-led brand to a global digital-led brand. The base case included the necessary overhead and capital spend required to deliver FY22 growth.

The Board also considered the levers available to mitigate the impact on profit and cashflow if performance and the pandemic were to follow the downside scenario. These included:

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

Since 27 June 2021 the Group has consistently performed ahead of the Base case. To assess the Group's position as at 26 December 2021 the Directors have reviewed an updated Base case reflecting current performance.

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

The interim financial results have been prepared by applying the accounting policies that were applied in the preparation of the 2021 Annual Report and Accounts which are published on the Hotel Chocolat website, www.hotelchocolat.com. There are no new or amended standards effective in the period which has had a material impact on the interim consolidated financial information.

3. Profit from operations

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

	Unaudited 26 weeks ended 26 December 2021 £000	*Unaudited* 26 weeks ended 27 December 2020 £000
Staff cost	25,092	24,634
Depreciation of property, plant and equipment	2,702	2,749
Amortisation of intangible assets	681	404
Depreciation of Right of Use asset	4,273	5,081
Loss on disposal of property, plant and equipment and intangible assets	14	23
Exchange differences	(131)	(51)
Government grants received	(41)	(893)
Bad debt expense	43	-
Write off of inventory recognised as an expense	1,357	1,878

4. Finance income and expenses

	Unaudited 26 weeks ended 26 December 2021 £000	*Unaudited* 26 weeks ended 27 December 2020 £000
Interest from related party	160	73
Interest on bank deposits	3	3
Unrealised interest on derivative financial instruments	42	3
Finance income	**205**	**79**
Interest on bank borrowings	218	192
Realised interest on derivative financial liabilities	90	101
IFRS 16 Interest charge	466	604
Finance expenses	**774**	**897**

5. Earnings per share

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

	Unaudited **26 weeks ended 26 December 2021 £000**	***Unaudited*** **26 weeks ended 27 December 2020 £000**
Profit after tax for the period	19,271	12,138

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

	Unaudited **26 weeks ended 26 December 2021**	***Unaudited*** **26 weeks ended 27 December 2020**
Weighted average number of shares in issue used in the calculation of earnings per share (number) - Basic	135,327,170	125,509,201
Dilutive share options outstanding - Hotel Chocolat Group plc Save As You Earn Plan	67,886	48,168
LTIP unexercised options	417,858	240,830
Weighted average number of shares in issue used in the calculation of earnings per share (number) - Diluted	**135,812,914**	**125,798,199**
Basic Earnings per share (pence)	14.2	9.7
Diluted Earnings per share (pence)	14.2	9.6

As at 26 December 2021, the total number of potentially dilutive shares issued under the Hotel Chocolat Group plc Long-Term Incentive Plan was 3,254,989 (27 December 2020: 501,073). Due to the nature of the options granted under this scheme, they are considered contingently issuable shares and therefore have no dilutive effect.

6. Property, plant and equipment

	Freehold property £000	Leasehold property £000	Furniture & fittings, Equipment, Computer software & hardware £000	Plant & machinery £000	Right of use asset £000	Total £000
26 weeks ended 27 December 2020						
Cost:						
As at 28 June 2020	**17,038**	**1,397**	**39,838**	**26,816**	**54,830**	**139,919**
Additions	1,205	-	763	4,297	5,229	11,494
Disposals	-	(18)	(5)	(157)	(1,663)	(1,843)
Translation differences	(1,152)	-	(219)	-	(689)	(2,060)
As at 27 December 2020	**17,091**	**1,379**	**40,377**	**30,956**	**57,707**	**147,510**
As at 28 June 2020	**3,267**	**768**	**26,174**	**13,013**	**14,982**	**58,204**
Depreciation charge	98	64	1,848	739	5,081	7,830
Disposal	-	-	(4)	(138)	(195)	(337)
Translation differences	(41)	-	(144)	-	(57)	(242)
As at 27 December 2020	**3,324**	**832**	**27,874**	**13,614**	**19,811**	**65,455**
Net book value						
As at 27 December 2020	**13,767**	**547**	**12,503**	**17,342**	**37,896**	**82,055**
26 weeks ended 26 December 2021						
Cost:						
As at 27 June 2021	**19,947**	**1,884**	**41,281**	**38,834**	**53,871**	**155,817**
Additions	2,816	-	2,965	7,848	1,476	15,105
Disposals	(3)	-	-	-	(314)	(317)
Translation differences	548	90	424	1	5	1,068
As at 26 December 2021	**23,308**	**1,974**	**44,670**	**46,683**	**55,038**	**171,673**
Accumulated depreciation:						
As at 27 June 2021	**3,426**	**842**	**29,858**	**14,324**	**23,514**	**71,964**
Depreciation charge	109	96	1,832	665	4,273	6,975
Disposal		-	-	-	(314)	(314)
Translation differences	70	-	91	317	-	478
As at 26 December 2021	**3,605**	**938**	**31,781**	**15,306**	**27,473**	**79,103**
Net book value						
As at 26 December 2021	**19,703**	**1,036**	**12,889**	**31,377**	**27,565**	**92,570**

As at 26 December 2021, the net book value of freehold property includes land of £4,564k (27 December 2020: £3,893k), which is not depreciated.

7. Trade and other receivables

	Unaudited **26 weeks ended** **26 December 2021** **£000**	*Unaudited* *Restated** **26 weeks ended** **27 December 2020** **£000**
Current		
Trade receivables	13,186	11,054
Other receivables*	8,822	7,181
Prepayments	3,620	1,514
	25,628	**19,749**

*Restated 26 weeks ended 27 December 2021. During the period ended 27 June 2021, clarification of guidance issued by the FRC resulted in a change in accounting policy in relation to 'cash in transit'. Previously this had been classified as cash and cash equivalents but going forward will be classified as other debtors. The consolidated financial statements include a prior year restatement to correct the classification of cash in transit of £2,069k.

8. Trade and other payables

	Unaudited **26 weeks ended** **26 December 2021** **£000**	*Unaudited* **26 weeks ended** **27 December 2020** **£000**
Current		
Trade payables	20,545	11,329
Other payables	2,454	8,557
Other taxes payable	14,473	11,880
Accruals	26,901	18,718
	64,373	**50,484**
Non-current		
Other payables	-	26
	-	**26**