8 March 2023

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 unaudited interim results for the 26 weeks ended 25 December 2022.

Financial overview:

- Group revenue including international of £129.8m (H1 FY22: £142.9 m)
    - Strong UK retail like-for-like +7% YoY
    - International -69% reflecting adapted approach
- Underlying H1 EBITDA of £22.0m (H1 FY22: £33.8m)
- Underlying H1 PBT £10.2m* (FY22 H1 £25.4m**)
- Strong balance sheet with net cash at period end of £28.2m, with £50m unutilised within its RCF facility
- Earnings per share 4.5p (H1 FY22: 12.0p**)
- Interim dividend nil per share (H1 FY22: Nil)

*Underlying PBT excludes share-based payment charges of £1m (H1 FY22 £1.5m) and exceptional items of £0.9m (H1 FY22 £3.6m)
**Restated 26 weeks ended 26 December 2021 – see note 6 for more information

Operational highlights:

- New record for Christmas campaign sales across the UK store estate with strongest ever sell through of full price seasonal products
- VIP database now 2.75m, + 30% YoY
- Online revenues lower YoY due to customer preference to return to stores and strategically lower marketing spend
- Wholesale revenue lower than planned at beginning of year due to cautious inventory management by online partners and Q1 UK summer heatwave impact on ordering
- Commencement of our 'shape of the future' plan with benefits flowing into product margins, operating overheads and inventory
- Year 2 of Gentle Farming nature positive cacao programme in Ghana. 458k trees planted, bonus payments direct to farmers

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

"This strong sales performance from Hotel Chocolat stores, underpinned by our scaled database, is a result of hefty investments we continue to make into our brand. Investing in more cacao and less sugar in our recipes, funding nature positive cacao farming and championing British-made quality and design flair.

"Over the last three years, we have increased retail like for-likes by 25% through product innovation and improving the quality of our database marketing.

"We have announced the opening of a further 50 UK locations over the next 3-5 years, with the first wave planned this Autumn. Our new 'store of the future' design has succeeded against its objectives in test locations and so will be rolled out in these new locations: more space, Velvetiser cafes and constructed from reusable and sustainable materials.

"The Velvetiser in-home drinking chocolate system continued its positive momentum with 888k (1 in 17 ABC1) UK households now able to prepare barista-grade drinking chocolate, hot or cold, in just 2.5 minutes. This has been built up in only four years and we now see premium, drinkable chocolate as a major long term winner for Hotel Chocolat, with our direct-to-consumer capability a key element in its success.

"Having grown sales by 66% since the start of the last pre-pandemic year, as previously announced, we are taking this year, over FY23, to sharpen-up our operating model before we embark on the next stage of growth. I am really pleased with the determination I have seen across our teams to get back to running a tight ship again.

"Our adapted plan for international growth – to pursue the proven brand appeal with low risk-low capex operating models – is making sound progress. In Japan, a new strategic partnership was signed and in the US our planning is looking encouraging. Our Saint Lucian cacao agro-tourism business drove revenues up 46%, with our 6-acre Project Chocolat visitor attraction the star performer.

"The Group continues to trade in line with market expectations for sales though as previously guided, we remain cautious about consumer sentiment over the upcoming seasonal events of Mother's Day, Easter, Eid and Father's Day. Depending on the Easter performance, there is a range of PBT outcomes between £4m and £7m for the full year."*

"Following this transitional year in 2023, in FY24 and FY25 we expect to see a return to sales and EBITDA growth with a continued target of 20% EBITDA margin by FY25 (pre IFRS 16 basis)."

* post share based payments of £2.5m for full year 2023

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

The person responsible for arranging for the release of this announcement on behalf of the Company is Angus Thirlwell, Chief Executive Officer.

For further information:

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Notes to editors

Hotel Chocolat is a premium British chocolate maker with a strong and distinctive D2C brand. The business was founded by Angus Thirlwell and Peter Harris, who are still executives within the business, and has traded under the Hotel Chocolat brand since 2003. The Group is unusual in being a grower (organic cacao farm in Saint Lucia), a manufacturer (Cambridgeshire) and owning its extensive direct to consumer channels (branded stores, websites). The Group was admitted to trading on AIM in 2016.

Chief Executive's statement (inclusive of financial review)

RESULTS

	Period ended 25 December 2022 £000	***Restated**** **Period ended 26 December 2021 £000**
Revenue	**129,790**	**142,934**
Gross profit	75,129	85,535
Operating expenses	(53,115)	(51,776)
Underlying EBITDA	**22,014**	**33,759**
Depreciation & amortisation	(9,947)	(7,656)
Loss on disposal of property, plant & equipment	-	(14)
Underlying operating profit	**12,067**	**26,089**
Finance income*	138	658
Finance expense	(1,737)	(774)
Share of joint venture results*	(261)	(520)
Underlying profit/(Loss) before tax	**10,207**	**25,453**
Share-based payments	(1,022)	(1,465)
Exceptional items*	(900)	(3,602)
Profit/(Loss) before tax	**8,285**	**20,386**
Tax expense*	(2,028)	(4,145)
Profit for the period	**6,257**	**16,241**
Earnings per share – Basic*	4.6	12.0
Earnings per share – Diluted*	4.6	12.0
Dividend per share	Nil	Nil

*Restated 26 weeks ended 26 December 2021 – see note 6 for more information.

CHIEF EXECUTIVE'S STATEMENT

The real growth drivers of Hotel Chocolat's future are in fine form. Our brand consideration now stands at a record level in the UK and our three growth pillars of originality, authenticity and ethics have more strength than ever, see below. Our principal sales channel is our stores model which accounts for c.70% of UK sales and the channel has improved materially in all performance metrics since pre covid. Our VIP customer base has increased to 2.75m.

During FY23, we are reining in our operating costs, which have grown away from our preferred shape during the fast expansion of the pandemic years FY21 and FY22 which delivered +66% growth.

Getting back to running a tight ship again' means a year where these cost adjustments gradually show through but are set against a year of slightly dipping revenues after a year of posting +40% revenues.

This approach has been reflected in our views for FY24 and FY25, where we plan to return back into further profitable growth, with the previously set target of 20% EBITDA margin by FY25 (pre IFRS 16 basis) still very much the intention.

BRAND

Our brand purpose is to make people happy through chocolate and we continue to focus on this to achieve our business goal of becoming the world's leading global direct-to-consumer premium chocolate brand. In the current climate it feels that bringing happiness through chocolate is more relevant than ever, so in the first six months of this year, we have spent time researching with our customers, growers and team-members to really understand what matters to them and what drives advocacy and engagement with the brand. In the period, we have continued to see growing brand consideration which is now at the highest point we have seen since we have started tracking, a significant increase in VIP.ME membership and customer purchase frequency.

Brand consideration has grown by 7ppt (13%) since Oct 20 (when tracking began) and 4ppt (7%) year on year.

Activity supporting our three brand pillars include:

1/Originality – nurturing creativity to bring real innovation

The Velvetiser in-home drinks concept has continued to innovate through new limited edition colours such as Satin Black which has been an instant hit. Seasonal limited edition flavours, such as Pumpkin Spice, also sold out very quickly. The launch of an additional VIP.ME members benefit - being able to purchase a Velvetiser at an exclusive price - demonstrated our commitment to reward our most loyal customers.

We launched a wider range of vegan options as part of our Christmas range building on the success of our unique Nutmilk recipe and growing customer demand. Within our Velvetised Cream alcohol range, we launched Mince Pie flavour as limited edition.

2/Authenticity – being the real deal in people and products

Our customers told us that they really value the quality of the products that we provide and that our focus on more cacao and not sugar is what sets our product apart from the rest and why they return. We continue to see this with a 25% increase in active customer purchase frequency year-on-year, showing that we are delivering not only for gifting but also for self-treat.

With our physical retail stores fully re-opened, we saw a shift in purchase behaviour back to the high street, re-emphasising our locations as a leisure experience for our customers. In particular, our customers sought out our physical stores in the purchase of Christmas gifts for loved ones with record sales of Christmas products.

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

Since launching our Gentle Farming programme in September 2021, we now have 2,500 growers in the enhanced programme. We are paying above the published price for cacao beans and making additional payments directly to farmers to support greater productivity on-farm, including employing over 300 on-farm skilled workers to prune cacao trees to maximise yield. In addition to the payments to support pre harvest activities and improve productivity, we invest in reforestation activity – last year distributing over 500,000 cacao and shade tree seedlings – to promote biodiversity and carbon sequestration. Through the work on our own farm in Saint Lucia, we have learnt how important the cacao crop is in the ecosystem. It is a wonder crop that thrives in biodiversity and loves shade. By planting these shade trees and growing cacao in biodiverse environments, we can achieve more fertile farmlands with greater climate resilience.

In addition to our continued support to our growers in Ghana, we have also invested in supporting our Saint Lucia community, launching an apprenticeship and farming programme with Helen's Daughters at Project Chocolat in Saint Lucia. This is an annual programme, where two Helen's Daughters' apprentices manage a hybrid aquaponics farm on land at Project Chocolat and sell their organic produce directly to the Rabot Estate. All proceeds made are reinvested into the farm to support the apprentices who receive training and mentorship throughout the year. As well as the apprentices who work on the farm at Project Chocolat, Helen's Daughters bring rural women and young people to visit the model farm to learn technical farming skills that they can take back to their communities.

CUSTOMERS

VIPme base 2.75m +152% since FY19
Active customer frequency +25% YOY

Customers are at the heart of our growth plan, and we have had a continued focus on our channel experiences and CRM programme to deliver customer database size and value growth.

VIP.ME has gone from strength to strength with over 2.75m customers now part of the programme, + 152% since FY19. In the period, we not only launched a more bespoke VIP.ME customer experience across touchpoints, but we also launched a new benefit with preferential pricing for members purchasing a Velvetiser. This has accelerated sign up both in retail and digital channels. VIP.ME is also continuing to prove effective at driving greater customer engagement and value with double the customer frequency than non-VIP.ME members at the end of the period.

Our understanding of our customers also means that we are improving our capability to deliver more tailored messages through the most appropriate channels for our customers which has grown active customer frequency by 25% year on year, capturing a greater proportion of their gifting and self-treat expenditure. Average frequency has also grown since FY19 (pre-Covid) by 14%. A key factor in this increase has been our ability to cross-sell compelling continuity models such as Velvetiser as well as sign up to VIP.ME.

The return to retail and our new concept format success with increased café presence underlines the opportunity to create compelling experiences that customer's want to revisit. We have identified that our cafes drive incremental repeat customer visits and purchases and as we look to open a further 50 locations over the next 3-5 years, Velvetiser Cafes will be a key part of the leisure experience that we offer our customers.

MARKETS

During the half we re-engineered our approach to international growth, signing a new deal for the development of Japan, and saw strong performance from the UK store direct-to-consumer model.

Group H1 Sales by location YoY[1]	25/12/2022 (£m)	26/12/2021 (£m)	*YOY %*
UK & Ireland	127.4	134.7	*-5%*
Japan	0.5	5.0	*-90%*
USA	0.1	2.0	*-94%*
St Lucia	1.8	1.2	48%
Group Total[1]	**129.8**	**142.9**	*-9%*

1) Growth reported at constant exchange rate

UK & Ireland

It is telling that there are progressively fewer successful chocolate store models in the UK and elsewhere. It is a difficult model to develop, with extensive protective attributes acquired in the process. Hotel Chocolat has a unique, digitally-underpinned, model that saw strong performance of +7% on a strict like-for-like measure YoY and +25% over the pre-covid FY19 year. The average UK store now has revenues of more than £1m net per annum through the till.

Two 'store of the future' new format stores opened in the half, in Norwich and Northampton.

As previously guided, we now see scope for a further 50 Hotel Chocolat stores over the next 3-5 years with the first tranche planned this Autumn. The new 'store of the future' design succeeded against its objectives in test locations and so will be rolled out in these new locations: more space, Velvetiser cafes and constructed from reusable and sustainable materials.

Online revenues during the first half were lower YoY due to a customer preference for a return to stores, together with a deliberately lower marketing spend YoY

Wholesale revenues were lower than planned at the beginning of the year due to cautious inventory management by online partners, a deliberate focus on 'quality over quantity' with fewer new partners being targeted and the Q1 heatwave reducing forward orders.

Japan

Activity during the half was focused on adapting our model to apply what we have learned. We highlighted new external capital and new local supply chain knowledge as being key and were delighted to launch a strategic partnership with Eat Creator Corp. on 3 January 2023.

- The agreement supports Hotel Chocolat's global strategic ambitions, applying the key business learnings from the first four years of trading in Japan
- Eat Creator will be providing growth capital, new supply side know-how and proven expertise in food brand development for the Japanese consumer
- Hotel Chocolat holds 20% equity in the newly established vehicle, with brand royalty revenues going to Hotel Chocolat Group 21 branded Hotel Chocolat stores will initially be within the newly established vehicle, supported by a customer database of more than 200,000 registered Japanese consumers.

Saint Lucia

The benefits of our newly opened 6-acre visitor attraction, Project Chocolat, increased customer numbers and revenues. Visitors came primarily from US and UK and were able to experience the benefits of our Gentle Farming approach to sustainable agriculture and brand approach to cacao recipes.

USA
Activity during the half was focused on a careful assessment of the opportunities within online direct-to-consumer and wholesale within specific product categories. It is clear the brand and product ranges appeal to the US consumer and that our focus is now on adapting to a more efficient operating cost model.

OPERATING EFFICIENCY INITIATIVES

1/ Trading margin
As a direct, multi-channel brand, we see material enhancements ahead for our trading margin by reducing erosion from:
- better forecasting and shelf life control
- lower post-season inventory

The combination of fast growth (+66% FY20 to FY22) and channel shifts have impeded our ability to access these benefits earlier.
We will continue to invest in offers to reward the loyalty of our VIP membership base.

2/ Manufacturing COGS
As a British manufacturer, we have invested into our IP protected product making capability, developing know-how in to manufacture the unique Hotel Chocolat range. The key focus over the last 5 years has been on scale – to ramp up production to cope with the 93% demand increase for Hotel Chocolat products over this period.
During FY23 a Smart Design programme has been launched in order to drive material benefits in COGS whilst maintaining the quality that has made our brand.

During FY24 and FY25 the benefits of this programme will underpin the EBITDA improvement to 20%+ by FY25.

3/ Overheads
The successful adoption of a Sales and Operating Process (S&OP) has delivered streamlining opportunities, which means that overheads are designed to grow slower than sales within FY24 and onwards.

4/ Cost of service
Our channels of online, stores and wholesale are fulfilled directly by our own DCs. During the half, a second DC at Northampton was commissioned to accommodate a +66% larger business than FY20. This will temporarily increase proportional costs during FY23 but will normalise in FY24 onwards.

5/ Inventory
Our target is to halve the value of inventory by 2025 over 2022 levels.
The benefits of the Sales & Operating Process together with tighter stock management is intended to deliver this.

FINANCIAL REVIEW
Revenue
Group revenue was -9% year-on-year, at £129.8m. UK & Ireland store like-for-like performed strongly, +7% YoY and +25% vs FY19 pre-covid. This was offset by the impact of lower Wholesale and Digital sales; however, total UK & Ireland sales were +65% vs FY19 pre-covid levels. Group sales were lowered by -4.5% following the Group’s decision to adapt Japan and US international models.

Gross margin
Currently reported gross margin combines the manufacturing and retail business models together.
Reported gross margin declined by 200 basis points from 59.8% to 57.9%.
Higher input costs including production related energy costs reduced gross margin, but were largely recovered through retail price increases.
The reduction in gross margin was driven by the unwinding of stock imbalances from the changes made during FY22, showing through in erosion of full price sell through of core products, associated stock provisions and non-optimal direct manufacturing labour scheduling as inventory reductions flowed through. A further factor was the deliberate investment in VIP loyalty product offers.
Encouraging performance was achieved in seasonal stock forecasting and high full price sell through.

Operating expenses

Overall operating expenses grew by 5% YoY resulting in Operating expenses as a percentage of sales increasing by 550 basis points.

The majority of this is temporary:

- our channels of online, stores and wholesale are fulfilled directly by our own DCs. During the half, a second DC at Northampton was commissioned to accommodate a +66% larger business than FY20. This will temporarily increase proportional costs during FY23 but will normalise in FY24 onwards.
- There is a time lag for overhead streamlining to flow through, leading to a temporarily elevated ratio during FY23 combining with a year of slightly reduced revenues.

The full re-instatement of business rates across the retail portfolio contributed 150 basis points and increased energy costs a further 50 basis points.

Underlying EBITDA

Underlying EBITDA is a non-GAAP measure and was £22.0m.

Underlying Profit before tax

Underlying Profit before tax was £10.2m.

Profit before tax excluding exceptional items

Profit before tax of £9.2m.

Share based payments

Share-based payment charge of £1.0m (H1 FY22: £1.5m) a reduction of £0.5m driven by SBP bonus charges in FY22 not repeated in FY23.

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 favorably impacted margin by 30 basis points.

Finance income and expense

Finance expense of £1.7m reflects £1.0m of interest charged in relation to Right of use Assets, £0.7m of interest for the RCF that the Group has in place, and £0.1m of realised derivative interest. Finance income of £0.1m is driven primarily by interest from a related party and bank deposits.

Earnings per share

Basic earnings per share in the period fell to 4.8p (H1 FY21: 12.0p*). The effective tax rate increased to 24.3% compared to the prior year effective tax rate of 20.3%.

Dividend

In order to continue to support and fund medium term growth, an interim dividend has not been declared. 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

Net cash inflow from operating activities was £30m (H1 FY22: £29m), and working capital improved by £11.1m in the period primarily as a result of reducing inventory levels by £8.2m. Net cash (being cash minus borrowings) at the end of the period was £28.2m (H1 FY22: £53.8m including capital raise proceeds).

The Group has access to a £50m Revolving credit facility (RCF) with Lloyds Bank and Bank of Ireland, with £50m of this unutilised.

Prior to the date of publication, as at 5 March 2023 the Group has net cash of £15.4m.

OUTLOOK

The Group continues to trade in line with market expectations for sales though as previously guided, we remain cautious about consumer sentiment over the upcoming seasonal events of Mother’s Day, Easter, Eid and Father’s Day. Depending on the Easter performance, there is a range of PBT outcomes between £4m and £7m* for the full year.

Following this transitional year in 2023, in FY24 and FY25 we expect to see a return to sales and EBITDA growth with a continued target of 20% EBITDA margin in FY25 (pre IFRS 16 basis).

* post share based payments of £2.5m for full year 2023

Angus Thirlwell
Co-founder and Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 25 December 2022

	Notes	***Unaudited*** **26 weeks ended 25 December 2022 £'000**	***Restated* Unaudited*** **26 weeks ended 26 December 2021 £'000**
Revenue		129,790	142,934
Cost of sales		(54,661)	(57,399)
		75,129	85,535
Operating expenses		(64,084)	(60,911)
Exceptional items*	3	(900)	(3,602)
	4	10,145	21,022
Finance income*	5	138	658
Finance expenses	5	(1,737)	(774)
Share of joint venture results*		(261)	(520)
Profit before tax		8,285	20,386
Tax expense*		(2,028)	(4,145)
Profit for the period		6,257	16,241
Other comprehensive income:			
Gains/(losses) on cashflow hedges		(430)	583
Deferred tax (credit) on derivative financial instruments		-	(93)
Currency translation differences arising from consolidation		253	107
Currency movement on net investment		208	428
Deferred tax charge on net investment currency movement*		298	107
Forex reclassified to inventory		(62)	(65)
Total comprehensive income for the period		6,524	17,308
Basic Earnings per share*	7	4.6p	12.0p
Diluted Earnings per share*	7	4.6p	12.0p

*Restated 26 weeks ended 26 December 2021 – see note 6 for more information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 25 December 2022

	Notes	*Unaudited* As at 25 December 2022 £'000	*Restated* Unaudited* As at 26 December 2021 £'000	*Audited* As at 26 June 2022 £'000
ASSETS				
Non-current assets				
Intangible assets		1,921	5,161	1,818
Property, plant and equipment	8	72,412	65,005	68,579
Right of use asset	8	47,792	27,565	51,560
Deferred tax asset		-	-	-
Investment in joint ventures*		-	4,140	-
Loan to joint venture*		-	5,225	-
		122,125	107,096	121,957
Current assets				
Derivative financial assets		169	-	668
Inventories		34,486	41,637	43,062
Trade and other receivables	9	24,756	25,628	17,541
Corporation tax receivable*		3,264	753	3,624
Cash and cash equivalents		28,164	53,788	17,569
		90,839	121,806	82,104
Total assets		**212,964**	**228,902**	**204,061**
LIABILITIES				
Current liabilities				
Trade and other payables	10	49,239	64,373	39,441
Corporation tax payable		-	-	-
Other financial liabilities*		-	668	6,660
Derivative financial liabilities		-	293	48
Lease liabilities		10,910	9,008	10,390
Provisions		686	-	907
		60,835	74,342	57,446
Non-current liabilities				
Other payables and accruals	10	-	-	-
Derivative financial liabilities		-	99	38
Deferred tax liabilities*		2,863	1,332	1,130
Lease liabilities		40,435	27,568	44,145
Provisions		2,907	1,598	2.919
		46,205	30,597	48,232
Total liabilities		**107,040**	**104,939**	**105,678**
NET ASSETS		**105,924**	**123,963**	**98,383**
EQUITY				
Share capital		137	137	137
Share premium		78,014	77,800	78,014
Retained earnings*		19,756	39,179	13,499
Translation reserve		652	861	399
Merger reserve		223	223	223
Capital redemption reserve		6	6	6
Other reserves*		7,136	5,757	6,105
Total equity attributable to shareholders		**105,924**	**126,963**	**98,383**

*Restated 26 weeks ended 26 December 2021 – see note 6 for more information.

CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 25 December 2022

	Notes	*Unaudited* 26 weeks ended 25 December 2022 £'000	*Restated** *Unaudited* 26 weeks ended 26 December 2021 £'000
Profit before tax for the period		8,285	20,386
Adjusted by:			
Exceptional items*	3	900	3,602
Depreciation of property, plant and equipment	8	4,522	2,702
Depreciation of Right of use asset	8	5,218	4,273
Amortisation of intangible assets		208	681
Share of joint venture results*		261	520
Net interest expense*		1,599	116
Share-based payments		1,022	1,465
Loss on disposal of property, plant and equipment and intangible assets		-	14
Operating cash flows before movements in working capital		**22,015**	**33,759**
Decrease /(Increase) in inventories		8,232	(12,222)
Increase in trade and other receivables		(7,173)	(13,589)
Increase in trade and other payables and provisions		9,066	22,232
Cash inflow generated from operations		**32,140**	**30,180**
Interest received		64	3
Income tax received/(paid)		-	(534)
Interest paid on:			
- interest paid – IFRS leases		(950)	(466)
- derivative financial instruments		(85)	(48)
- bank loans and overdraft		(737)	(218)
Cash flows from operating activities		**30,432**	**28,917**
Purchase of property, plant and equipment		(7,980)	(13,629)
Proceeds from disposal of property, plant and equipment		110	-
Loan to joint venture		(500)	(4,200)
Financial Guarantee Contracts		(6,436)	-
Purchase of intangible assets		(311)	(1,876)
Cash flows used in investing activities		**(15,117)**	**(19,705)**
Proceeds on issue of shares[1]		-	40,250
Costs associated to issue of ordinary shares		-	(998)
Payment of IFRS16 lease liabilities		(4,943)	(4,738)
Cash flows used in financing activities		**(4,943)**	**34,514**
Net change in cash and cash equivalents		10,372	43,726
Cash and cash equivalents at beginning of period		17,569	10,046
Foreign currency movements		223	16
Cash and cash equivalents at end of period		**28,164**	**53,788**

[1] Proceeds of equity raised in Jul-2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 25 December 2022

	Share capital £000s	Share Premium £000s	Retained earnings £000s[1]	Translation reserve £000s	Merger reserve £000s	Capital redemption reserve £000s	Other reserves £000s[*]	Total £000s
Restated Equity as 27 June 2021[*]	**126**	**38,684**	**22,938**	**754**	**223**	**6**	**3,102**	**65,833**
Profit for the period	-	-	16,241	-	-	-	-	16,241
Gain on cash flow hedges	-	-	-	-	-	-	583	583
Deferred tax charge on derivative financial instruments	-	-	-	-	-	-	(93)	(93)
Currency translation differences arising from consolidation	-	-	-	107	-	-	-	107
Currency movement on net investment	-	-	-	-	-	-	428	428
Deferred tax on net investment currency movement	-	-	-	-	-	-	107	107
Cash flow hedge transferred to inventory	-	-	-	-	-	-	(65)	(65)
Total comprehensive income for the period	**-**	**-**	**16,241**	**107**	**-**	**-**	**960**	**17,308**
Issue of share capital	11	39,116	-	-	-	-	-	39,127
Share-based payments	-	-	-	-	-	-	1,465	1,465
Deferred tax charge on share-based payments	-	-	-	-	-	-	230	230
Current tax of share-based payments	-	-	-	-	-	-	-	-
Restated Equity as at 26 December 2021[1]	**137**	**77,800**	**39,179**	**861**	**223**	**6**	**5,757**	**123,963**
Loss for the period	-	-	(25,680)	-	-	-	-	(25,680)
Gain on cash flow hedges	-	-	-	-	-	-	868	868
Deferred tax charge on derivative financial instruments	-	-	-	-	-	-	(292)	(292)
Currency translation differences arising from consolidation	-	-	-	(462)	-	-	-	(462)
Currency movement on net investment	-	-	-	-	-	-	869	869
Deferred tax on net investment currency movement	-	-	-	-	-	-	(431)	(431)
Cash flow hedge transferred to inventory	-	-	-	-	-	-	161	161
Total comprehensive income for the period	**-**	**-**	**(25,680)**	**(462)**	**-**	**-**	**1,175**	**(24,967)**
Issue of share capital	**-**	214	-	-	-	-	-	214
Share-based payments	-	-	-	-	-	-	(836)	(836)
Deferred tax charge on share-based payments	-	-	-	-	-	-	9	9
Current tax of share-based payments	-	-	-	-	-	-	-	-
Equity as at 26 June 2022	**137**	**78,014**	**13,499**	**399**	**223**	**6**	**6,105**	**98,383**

*Restated 52 weeks ended 27 June 2021 – see Hotel Chocolat Group Annual Report, Note 13, for more information.
[1] Restated 26 weeks ended 26 December 2021 – see note 6 for more information.

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

	Share capita l £000s	Share Premium £000s	Retained earnings £000s	Translatio n reserve £000s	Merger reserve £000s	Capital redempti on reserve £000s	Other reserve s £000s	Total £000s
Equity as at 26 June 2022	**137**	**78,014**	**13,499**	**399**	**223**	**6**	**6,105**	**98,383**
Profit for the period	-	-	6,257	-	-	-	-	6,167
Gain on cash flow hedges	-	-	-	-	-	-	(430)	(430)
Deferred tax charge on derivative financial instruments	-	-	-	-	-	-	-	-
Currency translation differences arising from consolidation	-	-	-	253	-	-	-	253
Currency movement on net investment	-	-	-	-	-	-	208	208
Deferred tax on net investment currency movement	-	-	-	-	-	-	298	298
Cash flow hedge transferred to inventory	-	-	-	-	-	-	(62)	(62)
Total comprehensive income for the period	**-**	**-**	**6,257**	**253**	**-**	**-**	**14**	**6,434**
Issue of share capital	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	1,022	1,022
Deferred tax charge on share-based payments	-	-	-	-	-	-	(5)	(274)
Current tax of share-based payments	-	-	-	-	-	-	-	-
Equity as at 25 December 2022	**137**	**78,014**	**19,756**	**652**	**223**	**6**	**7,136**	**105,924**

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 26 June 2022.

The Group's Annual Report and Accounts for the period ended 2 July 2023 are expected to be prepared under UK IFRS.

The comparative financial information for the period ended 26 June 2022 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 26 June 2022 have been delivered to the Registrar of Companies.

The auditors' report on the accounts for 26 June 2022 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 26 June 2022 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 number of scenarios, reflecting full year sales growth / (decline) of +5%, (-9%), (-15%), (-20%) and (-30%). Group sales to December 2022 have declined by (-9%), however, the cash position is ahead of the Going Concern scenario following Managements focus on reducing inventory and overhead expenditure.

Since 26 June 2022 the Group has consistently performed ahead of a base case scenario of (-9%). To assess the Group's position as at 25 December 2022 the Directors have reviewed an updated base case reflecting current performance. The Directors have also considered the probability of sales scenarios and concluded that extreme sales scenarios are of remote probability. As a result, the Directors have concluded that the use of the going concern basis of accounting is appropriate.

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. Exceptional Items

	Unaudited **26 weeks ended 25 December 2022 £000**	***Restated* Unaudited*** **26 weeks ended 26 December 2021 £000**
Restructuring costs	526	-
Impairment related to joint venture investment*	374	3,602
	900	**3,602**

Restructuring costs:
There is an expense of £526k during the period ended 25 December 2022 (26 December 2021: £nil) related to staff redundancy costs.

3. Exceptional Items (continued)

Impairment related to joint venture investment:

There is an impairment charge of £591k during the period ended 25 December 2022 (26 December 2021: £3,818k)* related to the assessment of probability of recovery of loans made to the Japan joint venture for FY23. For period ended 26 December 2021, a credit of £216k was recorded in relation to Financial Guarantee Contracts transaction fees received.

The Financial Guarantees Contracts denominated in Japanese Yen totalling JPY 1,038m were provided for as at 26 June 2022 and translated to £6,660k. The contracts were settled 2 September 2022 for £6,436k resulting in an FX gain of £224k.

There is an additional interest expense of £7k (26 December 2021: £nil) due to recognising the effective interest due on the remainder of the loan to period end.

*Restated 26 weeks ended 26 December 2021 – see note 6 for more information.

4. Profit from operations

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

	Unaudited **26 weeks ended 25 December 2022 £000**	*Unaudited* **26 weeks ended 26 December 2021 £000**
Staff cost	24,782	25,092
Depreciation of property, plant and equipment	4,522	2,702
Amortisation of intangible assets	208	681
Depreciation of Right of Use asset	5,218	4,273
Loss on disposal of property, plant and equipment and intangible assets	-	14
Exchange differences	331	(131)
Government grants received	-	(41)
Bad debt expense	31	43
Write off of inventory recognised as an expense	(839)	1,357

5. Finance income and expenses

	Unaudited **26 weeks ended 25 December 2022 £000**	*Restated** *Unaudited* **26 weeks ended 26 December 2021 £000**
Interest from related party*	57	613
Interest on bank deposits	64	3
Unrealised interest on derivative financial instruments	17	42
Finance income	**138**	**658**
Interest on bank borrowings	702	218
Realised interest on derivative financial liabilities	85	90
IFRS 16 Interest charge	950	466
Finance expenses	**1,737**	**774**

*Restated 26 weeks ended 26 December 2021 – see note 6 for more information.

6. Prior year restatement

Following a helpful and constructive review of the FY21 Annual Report and Accounts conducted by the Financial Reporting Council's Corporate Reporting Review team, the Directors have revisited a number of items in the FY21 Annual Report and Accounts in relation to IAS21 ("The Effects of Changes in Foreign Exchange Rates") and IFRS9 ("Financial Instruments"), resulting in restatements of the comparative amounts in the FY21 balance sheet and statement of comprehensive income and position at 28 June 202. These adjustments have been reflected in the 26 December 2021 comparatives and therefore several figures are restated. The below table sets out these adjustments. For further information, please refer to Note 13 on page 110 in the Hotel Chocolat Group Annual Report for 26 June 2022.

Consolidated Statement of Financial Position	***As at 26 December 2021 (as previously reported)*** **£000**	**Adjustments to 27 June 2021 £000**	**Adjustments to 26 December 2021 £000**	***As at 26 December 2021 (restated)*** **£000**
Investment in joint ventures	-	2,409	1,731	4,140
Loan to joint venture	19,482	(8,884)	(5,373)	5,225
Corporation tax receivable	-	114	639	753
Other assets	218,784	-	-	218,784
Total assets	**238,266**	**(6,361)**	**(3,003)**	**228,902**
Corporation tax payable	965	(965)	-	-
Deferred tax liabilities	1,622	(183)	(107)	1,332
Other financial liabilities	-	642	26	668
Other liabilities	102,939	-	-	102,939
Total labilities	**105,526**	**(506)**	**(81)**	**104,939**
Net assets	**132,740**	**(5,855)**	**(2,922)**	**123,963**
Retained earnings	48,426	(6,038)	(3,029)	39,179
Other equity	84,494	183	107	84,784
Total equity	**132,740**	**(5,855)**	**(2,922)**	**123,963**

6. Prior year restatement (continued)

Consolidated Statement of Comprehensive Income	*As at 26 December 2021 (as previously reported)* £000	Total adjustments £000	*As at 26 December 2021 (restated)* £000
Gross Profit	85,535	-	85,535
Operating expenses	(60,911)	-	(60,911)
Exceptional items	-	(3,602)	(3,602)
Profit from operations	**24,624**	**(3,602)**	**21,022**
Finance income	205	453	658
Finance expenses	(774)	-	(774)
Share of joint venture results	-	(520)	(520)
Profit before tax	**24,055**	**(3,669)**	**20,386**
Tax expense	(4,784)	639	(4,145)
Profit for the period	**19,271**	**(3,030)**	**16,241**
Other comprehensive income	1,025	-	1,025
Deferred tax charge on net investment currency movement	-	107	107
Forex reclassified to inventory	-	(65)	(65)
Total comprehensive income	**20,296**	**(2,988)**	**17,308**

7. Earnings per share

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

	Unaudited 26 weeks ended 25 December 2022 £000	*Restated** *Unaudited* 26 weeks ended 26 December 2021 £000
Profit after tax for the period*	6,257	16,241

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 25 December 2022	*Unaudited* 26 weeks ended 26 December 2021
Weighted average number of share in issue for the period – basic	136,313,568	135,327,170
Effect of dilutive potential share:		
Save as You Earn Plan[1]	-	67,886
Long-term incentive plan	8,877	417,858
Founder Shares	27,180	-
Weighted average number of shares in issue used in the calculation of earnings per share (number) – Diluted	**136,349,625**	**135,812,914**
Basic Earnings per share (pence)*	4.6	12.0
Diluted Earnings per share (pence)*	4.6	12.0

As at 25 December 2022, the total number of potentially dilutive shares issued, and not yet vested, under the Hotel Chocolat Group plc Long-Term Incentive Plan was 3,255,989 (26 December 2021: 3,254,989). Due to the nature of the options granted under this scheme, they are considered contingently issuable shares and therefore have no dilutive effect.

[1] The dilutive effect of Save as You Earn Plan is calculated as Nil due to the average share price for the 26 weeks ended 25 December 2022 being lower than the exercise price for all open schemes.

*Restated 26 weeks ended 26 December 2021 – see note 6 for more information.

8. 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 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**
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**
26 weeks ended 26 December 2021						
Cost:						
As at 26 June 2022	**24,247**	**1,977**	**43,557**	**55,634**	**82,381**	**207,796**
Additions	674	-	5,078	2,227	876	8,855
Disposals	-	(93)	(400)	-	-	(493)
Translation differences	276	-	70	-	8	354
As at 25 December 2022	**25,197**	**1,884**	**48,307**	**57,861**	**83,265**	**216,512**
Accumulated depreciation:						
As at 26 June 2022	**5,248**	**1,034**	**31,540**	**19,010**	**30,821**	**87,653**
Depreciation charge	154	96	2,354	1,918	5,218	9,740
Reclassification	-	-	(291)	-	291	-
Disposal	-	(93)	(290)	-	(857)	(1,240)
Translation differences	66	-	89	-	-	155
As at 25 December 2022	**5,468**	**1,037**	**33,402**	**20,928**	**35,473**	**96,308**
Net book value						
As at 25 December 2022	**19,729**	**847**	**14,903**	**36,933**	**47,792**	**120,204**

As at 25 December 2022, the net book value of freehold property includes land of £4,546k (26 December 2021: £4,564k), which is not depreciated.

9. Trade and other receivables

	Unaudited **26 weeks ended** **25 December 2022** **£000**	*Unaudited* *Restated** **26 weeks ended** **26 December 2021** **£000**
Current		
Trade receivables	9,457	13,186
Other receivables	7,643	8,822
Prepayments and accrued income	7,656	3,620
	24,756	**25,628**

10. Trade and other payables

	Unaudited **26 weeks ended** **25 December 2022** **£000**	*Unaudited* **26 weeks ended** **26 December 2021** **£000**
Current		
Trade payables	21,171	20,545
Other payables	1,475	2,454
Other taxes payable	12,666	14,473
Accruals and deferred income	13,927	26,901
	49,239	**64,373**