8 March 2022

H&T Group plc ("H & T"), "the company", or "the Group") today announces its preliminary results for the twelve months ended 31 December 2021 ("the period").

Highlights

- £10.0m adjusted profit before tax (2020: £15.6m) in line with expectations with strong segmental contribution from core business of pawnbroking and retail, and a significant recovery from the impact of Covid-19 trading restrictions and reduced footfall
- Pledge book increased 38.5% to £66.9m (2020: £48.3m) as at year end, with demand for pledge lending fully recovered to pre-pandemic levels; Q4 particularly strong and record lending volumes in December
- Cash resources of £16.8m utilised primarily to restore the pledge book. The Group ended the year with cash balances of £17.6m (2020: £34.5m)
- Significant retail sales growth of 21.5% to £36.2m (2020: £29.8m) with positive momentum across both the store estate and online platforms since May, at improved gross margin of 45.9% (2020: 37.9%)
- Net revenue from unsecured personal lending reduced to £4.3m (2020: £8.1m) as book declined and Group refocused on attractive growth opportunities within core businesses
- Adjusted basic earnings per share of 20.8p (2020: 32.1p), basic earnings per share of 15.4p (2020: 32.1p)
- Strong balance sheet with net asset value (NAV) of £136.6m (2020: £134.5m) and NAV per share of 348.9p (2020: 343.9p)
- Proposed full year dividend per share of 12.0p (2020: 8.5p)
- Regulatory review of the Group's unsecured high-cost short term (HCST) loans business progressed and a provision of £2.1m raised ahead of anticipated confirmation by the FCA that H&T can proceed to implementation of required past book review and subsequent redress programme

Chris Gillespie, H&T chief executive, said:

"The year began with a period of strict Covid-19 related trading restrictions from January to April, which led to significantly reduced high-street footfall and a consequent impact on revenues and profits. The primary strategic aim of the business in 2021 was to rebuild the core pawnbroking pledge book, which had reduced by a third in 2020 as customers chose to repay their loans at a time of reduced need for credit. It is very pleasing to report strong growth in borrowing demand in the second half of 2021 with no detriment to loan-to-value ratios, record levels of lending in December and an increase in the flow of pawnbroking customers who are new to H&T. This momentum has continued into 2022.

"In store demand for our high-quality new and pre-owned jewellery and watches has returned strongly and consistently since the relaxation of trading restrictions from late April, and overall retail sales in the second half of the year were at record levels. I am particularly pleased with the progress we have made with online sales, which grew 40.5% year on year. Both in store and online, our retail business was supported by increased marketing activity focused on building brand awareness and broadening our reach, particularly on social media.

"We have made significant progress with, and continue to prioritise, investment both in our store estate and technology infrastructure, as we work to improve our customers' journey in store and online. We have opened five stores and relocated two in the past 12 months, with more in the pipeline for 2022 as we seek to broaden our reach still further.

"Positive progress has been made with the FCA and the appointed skilled person in respect of the regulatory review of our HCST loans business. We anticipate an early conclusion to this review, and as required under IAS37, have now raised a provision of £2.1m as our best estimate of the cost of the subsequent redress programme. Further updates will be provided as soon as we are able to do so.

“I am extremely proud of the H&T team and how they have navigated the challenges brought about by the Covid-19 pandemic. Our employees rose to the challenge with resilience and determination, ensuring our stores remained open and delivering an outstanding level of service to our customers.

“We have a strong retail business, growing demand for pledge lending and with the expected return in foreign currency demand as overseas travel re-opens, the Group is well positioned to continue to benefit from the strong trading momentum built up in 2021, and to deliver further progress on our strategic priorities in 2022.”

Financial Highlights (£m unless stated)	2021	2020	Change %
Adjusted Profit before tax *	£10.0m	£15.6m	(35.9%)
Reported Profit before Tax	£7.9m	£15.6m	(49.4%)
Adjusted Diluted EPS (p) *	20.8p	32.1p	(35.2%)
Reported Diluted EPS (p)	15.4p	32.1p	(52.0%)
Dividends per share	12.0p	8.5p	41.2%
Key Performance Indicators			
Net Pledge Book (including accrued Interest)	£66.9m	£48.3m	38.5%
Pawnbroking revenue less impairment	£37.3m	£34.2m	9.1%
Retail sales	£36.2m	£29.8m	21.5%
Of which online sales	*£5.2m*	*£3.7m*	*40.5%*
Retail gross profits	£16.6m	£11.3m	46.9%
Personal loans book	£3.1m	£5.9m	(47.5%)
Net assets	£136.6m	£134.5m	1.6%
Number of stores	257	253	1.6%

* Before non-recurring expense for cost of redress

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Chairman's Report

H&T's trading performance in our core businesses since May has been the strongest I have seen in my time with the Group. The rebuilding of the pledge book, particularly in the latter half of the year, demonstrates a strong recovery in borrowing demand during a year of uncertainty and a changing trading landscape due to the continued and prolonged impact of Covid-19 restrictions. The Board is encouraged to have seen strong and increasing demand for our lending and retail products, which bodes well for future sustained growth and earnings.

The Year in Review

Our priority for 2021 was to focus on our core pawnbroking and retail businesses, planning to rebuild the pledge book as demand for borrowing returned, and to maximise retail sales and other opportunities once the Covid-19 restrictions were progressively relaxed from April 2021.

The positive trading momentum achieved has gone a long way towards rebuilding the pledge book back to pre-Covid-19 levels. Retail sales in the second half of the year were at record levels. These positive trends have continued into 2022, and we are confident the pledge book will rebuild to its pre Covid-19 level of £73m within the first quarter of 2022.

Our foreign currency product continues to experience reduced demand, as international travel has not yet returned to pre-pandemic levels. We are optimistic that with the easing of travel restrictions and the expansion of global vaccination programmes, international travel will return and that demand for our foreign currency product will increase and progress towards the volumes achieved in H2 2019 before Covid-19 travel restrictions were introduced. Offering foreign currency and other products broadens the appeal of the Group's stores and creates cross-selling opportunities.

Financial performance

Covid-19 restrictions were in place across the UK until April and had a significant impact on our business, particularly in respect of our in-store retail sales offering. This is not classed as an "essential service" by the UK Government and therefore all retail products were withdrawn from sale in stores during this period.

Following the lifting of these trading restrictions, demand for pledge lending soon returned, with momentum growing monthly from May. The pledge book grew by 38.5%, closing the year at £66.9m (2020: £48.3m). Despite the Covid-19 restrictions, demand for our high quality pre-owned and new jewellery and watches was strong and exceeded our expectations, particularly over the Christmas period. Retail revenue saw significant growth of 21.5% to £36.2m (2020: £29.8m) with momentum both in stores and online

The Group delivered a profit after tax and after non-recurring expense for redress costs of £6.0m (2020: £12.6m) and diluted earnings per share of 15.4 pence (2020: 32.1 pence). Subject to shareholder approval, a final dividend of 8.0 pence (2020: 6.0 pence) per ordinary share will be paid on 24th June 2022 to those shareholders on the register at the close of business on 13th May 2022. This will bring the full year dividend to 12 pence (2020: 8.5 pence). The Group has a progressive dividend policy, and as earnings recover in the future years, we expect to further improve returns to shareholders.

S166 Regulatory Review of the Group's High Cost Short Term Lending Business

We have worked closely with the FCA and the appointed skilled person since their review commenced in Q4 2019. I am pleased that good progress has been made in recent months and we have raised a provision of £2.1m which represents our best estimate of the expected cost of the redress programme.

Looking to the Future

Our store locations tend to be community based, and these locations have proven resilient in comparison with other retail centres which have suffered from ongoing reduced footfall. Stores are critical to our customer experience and our strategy is to continue to develop our retail network in those geographical locations where opportunities exist to increase our presence. We continue to invest in improving and modernising our store estate. To further enhance our capacity for growth, the Group is investing in the development of its technology platform to deliver better customer experiences while significantly improving our ability to use transactional and product level data. Our websites and online journeys will be enhanced in 2022, to improve visibility, navigability and make it easier for customers to transact with us without necessarily having to visit a store.

We see the trading environment in the near term being positive for our business. We anticipate continued strong demand for our core pawnbroking product as the impact of inflation on the consumer increases the need for small sum, short term loans at a time when supply of credit is constrained more than has been the case for many years. We expect recovery in demand for foreign exchange services as overseas travel reopens and, as our increased marketing focus bears fruit, continued positive momentum in our sales of pre-owned retail jewellery and watches.

However, like all businesses, 2022 is likely to bring to H&T continued supply chain pressures, rising utility bills and in particular, wage inflation that will contribute to upward pressure on the costs of running our business. Cost management and achieving operating efficiencies will be a key management focus for the year ahead, while ensuring capital is invested where appropriate and where attractive returns can be achieved, specifically into our technology platform and our all-important store estate. We will always ensure our entry pay levels will remain above the National Living Wage with opportunities for progression as individuals develop their careers with H&T.

The Board is mindful of recent geo-political events. War in Ukraine and it's impact upon individuals, both directly and indirectly, is at the forefront of our minds. The inevitable consequence of these events will be further inflationary pressures on both businesses and individuals. In the short term, there has been an increase in the value of gold. We will be watching these dynamics very closely and will react accordingly.

Our emphasis on environmental impact, social responsibility and governance frameworks has received even greater focus over the course of the past year and continues to be a key objective of the Group. H&T supports the UK Government's commitment to implement the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations and its wider ambitions for sustainability, working towards mandatory TCFD-aligned disclosure obligations across the UK economy by 2025. H&T has established its carbon footprint base position in 2021 and is working towards TCFD implementation in the year ahead, and looking to achieve further progress in 2022, to ensure the Group meets the future reporting requirements of the FCA and to increase transparency on climate-related risks and opportunities for all stakeholders.

In respect of Board membership, further action is planned to broaden diversity in both the representation and skill set of the Board. A board effectiveness survey was concluded early in 2022, the recommendations of which are awaited and will be implemented.

Summary

In conclusion, we view the future with growing confidence, albeit with a close eye on the inflationary pressures mentioned above and of course the unknown future impact and trajectory of the ongoing Covid-19 pandemic.

On behalf of the Board and our shareholders, I would like to thank everyone at H&T for their unwavering hard work, dedication, and resilience over this past year.

Peter D McNamara

Chairman

Chief Executive's Review

The growing trading momentum and significant progress on our strategic objectives achieved by the Group in 2021 is very encouraging, and we have seen this positive momentum continue into 2022. I am pleased with the increasing demand for our core pledge lending product, returning to pre-pandemic levels during Q4 and record lending in December, with the highest number of new customers borrowing from us that we have seen for several years.

The Covid-19 pandemic brought severe trading restrictions until late April and progressive relaxations thereafter. Thanks to the outstanding efforts of all of our employees, we were able to keep all but two of our stores open as the financial services products offered by the Group were defined as "essential." All retail sales in our stores ceased, in line with government guidelines for non-essential retail businesses. Our on-line retail business continued to operate during this period, serving our customers remotely and through click and collect options within our store estate. These trading restrictions were relaxed progressively, and at different paces, by the UK government and the devolved administrations in Scotland and Wales. Since that time, trading has been very strong with growing momentum across our product range.

During the period of trading restrictions from January to April, we made use of the flexible furlough arrangements put in place by the UK Government. The financial support we received amounted to £1.3m (2020: £3.4m) and has been reported, as required by the accounting standards, in the financial accounts as "other income" (see note 2).

After the progressive lifting of the trading restrictions, robust demand for our core pledge lending product and new and pre-owned jewellery and watch retail sales returned and gathered momentum over the remainder of the year. The fourth quarter saw particularly strong lending volumes, as demand returned to pre-pandemic levels and reached record levels in December, and retail sales over the Christmas period exceeded our forecasts.

Key Performance Indicators

The Group's profits before tax and after non-recurring expenses reduced to £7.9m (2020: £15.6m) with diluted earnings per share of 15.43p (2020: 32.11p). The non-recurring expense for the anticipated cost of redress and the reduction in net revenue from unsecured personal lending, contributed significantly to this reduction.

The balance sheet evidences a strong net asset position of £136.6m (2020: £134.5m), comprising primarily the pawnbroking pledge book of £66.9m (2020: £48.3m), retail stock of £28.4m (2020: £27.6m) and cash and bank balances of £17.6m (2020: £34.5m).

Our financing facilities of £35m (2020: £35m) remained unutilised and are on hand to support our future growth. The facilities were renewed and extended to comprise a three-year revolving credit facility of £15m and an overdraft facility of £20m in December 2021.

Review of Operations

Pawnbroking

Borrowing demand returned strongly as government restrictions were eased progressively from April. The need of customers for small sum, short term credit returned strongly at a time of constrained supply following the departure from the unsecured lending markets of a number of firms. This gap in the market creates a growth opportunity for pawnbroking and, as the market leader, for H&T in particular. Monthly lending volumes grew incrementally in each month from May, with Q4 volumes returning to pre-pandemic levels and record lending in December. The pledge book grew by 38.5% to £66.9m (2020: £48.3m), with almost all this growth taking place in the second half of the year. This strong demand has continued into the new year. Risk adjusted income amounted to £37.3m (2020: £34.2m) an increase of 9.1% on prior year and margin of 69.5% (2020: 58.1%).

Redemption rates remain above historic norms. However, more time is needed to assess the longer-term trend in redemption rates post Covid-19 given the significant growth in the book, especially in Q4. Loan-to-value ratios have been maintained at historic levels of around 65% and average pledge loan value was broadly stable at £339 (2020: £310).

Pawnbroking summary

	2021 £'m	2020 £'m	Change %
Year-end net pledge book – note 1	£66.9m	£48.3	38.5%
Average net pledge book	£53.7m	£58.9	(8.8%)
Revenue less impairments	£37.3m	£34.2	9.1%
Risk adjusted margin – note 2,3	69.5%	58.1%	11.4%

Notes:

1. Includes accrued interest and impairment

2. Net revenue expressed on an annualised basis as a percentage of the net pledge book

3. Risk Adjusted Margin in 2020 was adversely impacted by the cessation of interest charges whilst stores were closed due to Covid-19 related trading restrictions during March to May 2020

Retail

Retail sales for the year increased by 21.5% to £36.2m (2020: £29.8m) with gross profits increasing by 46.9% to £16.6m (2020: £11.3m) and record sales in the second half. Margins improved to 45.9% (2020: 37.9%) due to dynamic pricing and a change in the mix of products sold, with demand for high-quality pre-owned watches particularly strong. Sales of new products represented 16.1% (2020: 17.7%) of total sales. Online sales progressed extremely well, increasing 40.5% to £5.2m (2020: £3.7m) and contributing 14.4% (2020: 12.4%) of total retail sales. We have increased our online marketing presence particularly on social media, with a focus of building brand awareness and we will be rebuilding our web capabilities in 2022 to improve visibility, navigability, and customer journey.

In line with government guidelines, the Group was unable to sell jewellery from its stores from January to April. Online sales continued uninterrupted throughout the year.

Inventories held at the year-end increased slightly to £28.4m (2020: £27.6m).

Gold Purchasing

Gold purchasing contributed £3.4m (2020: £6.8m), with sales of £20.4m (2020: £21.5m) reflecting lower volumes particularly in the first half of 2021. The gross margin of 16.6% (2020: 31.6%) remained relatively consistent throughout the year (H1 2021: 16%) as margins trend back to historical levels after the positive impact of the particularly high gold price during 2020.

Personal Lending

Revenue after impairment reduced to £4.3m (2020: £8.1m) as the book reduced to £3.1m (2020: £5.9m), down 47.5% and repayments and reduced impairment provisions exceeded the value of new loans granted. Non-HCST lending volumes remain muted, with new loans granted of £2.6m (2020: £4.8m). An impairment release of £1.5m in 2021 versus a charge of £1.7m in 2020 contributed to improved risk adjusted margins of 119.5% (2020: 79.4%), and improved impairment coverage ratios.

No HCST loans were granted during the year, other than a small sample of loans required as part of the S166 review.

The reduction in net revenue to £4.3m (2020: £8.1m) represents a significant factor in the Group's reduced 2021 profit before tax. An internal review of the future role of personal lending as part of our product range is being undertaken.

Personal Lending Summary

	2021 £'m	2020 £'m	Change %
Year-end net loan book	£3.1	£5.9	(47.5%)
Average monthly net loan book	£3.6	£10.2	(64.7%)
Revenue	£2.9	£9.8	(70.4%)
Impairment release /(charge)	£1.5	(£1.7)	188.2%
Revenue net of impairment	£4.3	£8.1	(46.9%)
Impairment % of average loan book	41.7%	(16.7%)	-
Risk adjusted margin – note 1	119.5%	79.4%	40.1%

Notes:

Note 1 – net revenue expressed on an annualised basis as a percentage of average net loan book

Scrap

The gross value of scrap sales in 2021 was £11.0m (2020: £19.2m). Gross margin of £2.0m (2020: £6.2m) was down significantly on the prior year as the smaller pledge book and higher redemptions contributed to reduced flow of pawnbroking related items to be scrapped. Gold purchase was also subdued in H1 2021, especially during the COVID-19 restrictions from January to April, with significant positive momentum seen in H2.

The gold price remained broadly static through the year with average price per troy ounce of £1,308 (2020: £ 1,379). H1 2020 saw an unusually high gold price which coincided with the start of the pandemic. On the 30 June 2021, the gold price was £1,272 (30 June 2020: £1,440). The gold price directly impacts the revenue earned on gold scrap and in the case of gold purchasing, affects consumer demand.

Other Services and Other Revenue

Other services include Foreign Currency (FX), money transfer via Western Union and cheque cashing transactions.

Together, these services generated £5.4m (2020: £6.0m) of net revenue, down 10%, with FX being the largest contributor to this reduction.

FX gross profit contribution reduced to £3.0m (2020: £3.4m) as international travel and consequent demand for FX continued to be impacted by Covid-19 restrictions. Transaction volumes were approximately 30% of pre-pandemic levels and showed improvement in the second half of the year as there was early evidence of returning demand following travel restrictions being eased. The average transaction size was £388 (2020:£380).

Money transfer activity is a significant driver of footfall to our stores and facilitates product cross selling opportunities. Revenues grew by 18.2% to £1.3m (2020: £1.1m) underpinned by increasing transaction volumes of 461k (2020: 382k).

Cheque cashing volume continues to reduce as a result of the broader systemic decline in the use of cheques in the UK economy. This is reflected in its revenue contribution, reducing by 8.3% to £ 1.1m (2020: £1.2m).

Regulation – FCA S.166 Review

As previously advised, the Group has been working with the FCA to undertake via a skilled person, a review of the creditworthiness, affordability assessments and lending processes within its HCST loan business since 2014. Good progress has been made and we anticipate an early conclusion to the review. As required under IAS37, we now believe we are in a position to quantify a reasonable best estimate of the expected outcome and the cost of the subsequent redress programme. A provision of £2.1m has been raised in this regard. As the FCA's review is not yet complete, it is possible that the final outcome may differ from this best estimate. Further updates will be provided as soon as we are in a position to do so.

Strategic Initiatives and Outlook

Following the easing of the Covid-19 lockdown restrictions progressively from April, we have seen demand for small-sum short-term pawnbroking loans return with growing monthly momentum. This has continued into 2022, with the pledge book growing further to £72.2m at the end of February. We are expecting the return of our core pawnbroking pledge book to pre-pandemic levels during Q1 2022, earlier than previously forecast, and to continue to grow thereafter. The timing mismatch in revenue recognition between IFRS 9 day one impairments and interest earned on the underlying pledge loans is expected to normalise in 2022 as we anticipate that the rate of monthly growth will moderate.

Our cash balances have reduced as we have deployed these funds into supporting the growth of the pledge book and we will benefit from the yield generated on a higher average pledge book in 2022. We remain committed to our strategy to focus on our core pawnbroking and retail sales businesses. We intend to grow our physical store estate further in 2022 by expanding into under-represented geographies, investing in our digital strategy and broadening our customer reach through our marketing activities, both nationally and increasingly online.

Our new and pre-owned jewellery and watches retail business remains a key strength of the Group and will receive increasing focus. We look forward to a growing contribution to our retail sales from our online platforms as we continue our digitisation strategy, which will support our growing business by introducing standardised point of sale processes across our product set. These simplified processes will allow for robust data management, improve the navigability of our websites and our customers' journey when they interact with us online, and supports our ESG goal of reducing paper consumption.

We have made substantial strides to improve diversity across our teams during recent years, and this will continue. The environmental, social and governance (ESG) goals which have been set in 2021, demonstrate our commitment to be an even more responsible organisation, further supported by agreed ESG development targets which are included in the management's objectives for 2022. We are working towards the Taskforce on Climate-related Financial Disclosures (TCFD) implementation and are looking to make further progress on this reporting in 2022.

The Group will be unable to avoid the broader macro-economic pressures of rising cost inflation, bringing cost management to the forefront of our plans for the year ahead. We will strive to optimise our cost base, delivering operational efficiencies where possible and leverage our new technology platforms to improve customer experience at reduced cost.

The continued underlying trading momentum, and our focus on providing community based financial and retail services which closely match the needs of our customers, provide exciting growth opportunities for the Group. We anticipate opportunities for organic growth by capturing increasing market share and there is potential for further market consolidation. We are encouraged by the strong start to the new year and we view the future with growing confidence.

Chris Gillespie

Chief Executive

Chief Financial Officer's Review

The Group delivered profit before tax of £7.9m (2020: £15.6m). Removing the impact of the non-recurring expense item of £2.1m, the adjusted profit before tax was £10.0m.

H&T received the benefit of £1.3m (2020: £3.4m) of government support during the strict Covid-19 trading restrictions from January to April in the form of Job Retention support schemes, which has been reported as part of "Other Income" as required by the accounting standards

The Group reported gross profit of £75.4m (2020: £82.8m), a robust result underpinned by strong segmental contributions and a high quality of earnings. Increasing gross profit contributions this year were reported by the pawnbroking segment, growing 14.6% to £44.7m (2020: £39.0m), and by the retail segment, growing 46.9% to £16.6m (2020: £11.3m).

As a result of trading and travel restrictions, together with a softening of the gold price and travel restrictions, less robust results were delivered by gold purchasing, contributing £3.4m (2020: £6.8m), scrap sales £2.0m (2020: £6.2m), personal loans £2.9m (2020: £9.8m), with the remaining products making up the balance of £5.4m (2020: £6.0m).

The largest contributor to the reduction in gross profit was from personal lending, which reduced to £2.9m (2020: £9.8m) as repayments outweighed revenue earned from new lending during the year.

Pawnbroking income in the financial year is strongly correlated with the average pledge book balance and with the growth in the pledge book weighted to Q4, the majority of the margin on these loans will be earned in 2022. Retail sales produced a particularly strong performance with increasing momentum from May, peaking over the Christmas period.

We will be focused on achieving operational efficiencies in 2022, as the Group will seek to alleviate the impact of inflationary pressures. Close control of costs in 2021 enabled us to keep operating costs broadly flat at £65.2m (2020: £65.9m).

A provision of £2.1m was raised ahead of the anticipated implementation of the required HCST customer redress programme, currently our best estimate of the outcome and as required under IAS37. This is disclosed separately as a non-recurring expense in the income statement.

TRADE RECEIVABLES AND IFRS 9

The Group recognises a trade receivable on the day a pledge loan is granted, on which interest is earned using the effective interest rate over its expected contractual term of six months. A proportion of customers elect to repay their loans in whole or in part, earlier than the contracted six months term, or choose to forfeit their pledge items at the end of that term. In the case of the former, this reduces the expected interest income derived from the loan. In the case of the latter, no interest income is recognised. The dynamic impact of these factors has a direct correlation with the expected future interest income to be earned on the pledge book.

The Group measures loss allowances for pledge loans using the IFRS 9 expected credit loss model, which considers the future expected interest income to be earned considering redemption rates and repayment profiles.

IFRS 9 requires an impairment provision to be raised on origination of a pledge loan to reflect anticipated lost future revenue, while interest income is earned over the full life of the pledge loan. As the pledge book is growing, the mismatch between the IFRS 9 charge and the recognition of interest revenue is more pronounced. The adverse PBT impact of this in Q4 2021, which is reflected in risk adjusted revenue, was approximately £1.5m. This is expected to normalise in 2022.

COSTS

Other direct expenses reduced to £46.3m (2020: £50.2m) as lower impairment charges and Covid-19 related factors contributed to cost savings in the year, particularly Government support in the form of rates relief.

Admin expenses increased to £18.9m (2020: £15.7m) primarily as a result of increasing staff costs, including the impact of our staff complement to support a "pawnbroking anywhere" trial, offering customers in selected locations the option of a home-based service. Further, we continue to ensure our people are fairly remunerated and salaries were reviewed in Q4. Variable operating costs, such as travel, returning to a more normal run rate after the progressive lifting of the Covid-19 restrictions, also contributed to the increase.

Finance costs of £1.2m (2020: £1.3m) relate mainly to IFRS 16 accounting for leases. H&T Group did not draw on its funding facilities during the course of the year and as a result has not incurred any funding costs for the year other than the fee for the unused portion of the revolving credit facility of £32m until 29 December 2021, when the facility was renewed and reduced to £15m.

NON-RECURRING EXPENSE

A redress cost provision of £2.1m has been raised as at 31 December 2021, as required under IAS37. This anticipates an early conclusion to the review, and agreement by the FCA that we may proceed to implementation of the methodology for conducting the required past-book review and subsequent redress programme. It is possible that the final outcome may differ from the best estimate applied in making this provision. As this cost is one-off in nature, it has been disclosed as a non-recurring expense.

TAX

Taxation for the year was £1.8m (2020: £3.1m). The Group is in a tax paying position with an effective tax rate that is higher than the corporate taxation rate of 23.1% (2020: 19.6%) as the provision raised for the estimated future redress costs of £2.1m is likely to not meet the requirements of a tax-deductible expense.

BALANCE SHEET

The Group's net assets increased to £136.6m (2020: £134.5m) after dividends paid in 2021 of £4.0m.

In line with the Group's strategy to rebuild the pawnbroking pledge book, the book grew to £66.9m (2020: £48.3m), supported by strong lending momentum in the second half of the year.

The growth in the pledge book was funded by utilising the Groups cash resources, with closing cash and bank balances of £17.6m (2020: £34.5m). Along with the Group's unutilised funding facilities, sufficient resources exist to fund anticipated future growth, as well as the opportunity to take advantage of inorganic investment opportunities, if they arise.

Inventories increased slightly to £28.4m (2020: £27.6m). Pre-owned and new retail watch and jewellery stock levels were maintained to support buoyant retail sales.

CASH FLOW

The Group utilised £16.8m of cash its resources during the year (2020: increase £22.5m), after paying dividends of £4.0m (2020: £1.0m) and rebuilding the debtors' book, predominantly the pledge book, by £15.6m (2020: decrease of £35.2m). The Group held cash balances of £17.6m (£2020: £34.5m) at 31 December.

The Group's financing facility of £35m remained undrawn throughout the year. This facility was renewed on 29 December 2021 to comprise a combination of a £15m three-year revolving credit facility and a £20m overdraft facility. We believe that this structure better fits the anticipated borrowing needs of the business.

The revolving credit facility is subject to margins between 1.7% and 2.45% above SONIA, with a commitment fee of 50% of the margin on the undrawn portion of the facility. The facility has a maturity date of 28 December 2024.

The overdraft margin is charged at 1.7% above the Bank of England base rate. The overdraft has a renewal date of 31 October 2022.

The covenants to which the facilities are subject are included in the table below:

	Total Net Debt to EBITDA	Interest Cover ratio	Fixed Charge cover ratio
Facility covenants	2.5 x	4 x	1.5 x
31 December 2021	0.0 x	172.9 x	104.4 x
31 December 2020	0.0 x	64.7 x	45.7 x

ASSET CARRYING VALUE REVIEW

The Group performs an annual review of the expected earnings of each acquired store and considers whether the associated goodwill and other property, plant and equipment values are required to be impaired as required by accounting standards. The Group has also considered if its right-of-use-assets (property leases) are fairly valued. A fair value adjustment reversal of £0.2m (2020: charge of £0.5m) has been applied in respect of its right-of-use-assets.

GOING CONCERN

The Group has assessed the impact of appropriate scenarios and has significant cash resources and financing facilities available. The Group therefore continues to adopt the going concern basis for preparing these financial statements.

SHARE PRICE AND EPS

The closing share price at 31 December 2021 was 295p (2020: 258p) with a market capitalisation of £117.3m (2020:102.6m). Basic and diluted earnings per share were 15.4p (2020: 32.1p). Our net asset value per share was 348.9p (2020: 343.9p).

Di Giddy

Chief Financial Officer

Group Statement of Comprehensive Income
For the year ended 31 December 2021

Continuing operations:	Note	2021 £'000	2020 £'000
Revenue	2	121,995	129,115
Cost of sales		(45,640)	(46,316)
Gross profit	2	76,355	82,799
Other direct expenses		(46,251)	(50,188)
Administrative expenses		(18,904)	(15,727)
Recurring operating profit		11,200	16,884
Non-recurring expenses		(2,099)	-
Operating Profit		9,101	16,884
Investment revenues		8	5
Finance costs		(1,247)	(1,257)
Profit before taxation		7,862	15,632
Tax charge on profit	4	(1,818)	(3,070)
Profit for the financial year and total comprehensive income		6,044	12,562

Earnings per share from continuing operations		2021 Pence	2020 Pence
Basic	5	15.43	32.11
Diluted	5	15.43	32.11

All profit for the year is attributable to equity shareholders.

Group Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	1,987	33,179	(35)	87,475	122,606
Profit for the year	-	-	-	12,562	12,562
Total comprehensive income	-	-	-	12,562	12,562
Issue of share capital	6	307	-	-	313
Share option movement	-	-	-	64	64
Dividends paid	-	-	-	(996)	(996)
At 31 December 2020	1,993	33,486	(35)	99,105	134,549
At 1 January 2021	1,993	33,486	(35)	99,105	134,549
Profit for the year	-	-	-	6,044	6,044
Total comprehensive income	-	-	-	6,044	6,044
Issue of share capital	-	-	-	-	-
Share option movement	-	-	-	11	11
Dividends	-	-	-	(3,986)	(3,986)
At 31 December 2021	1,993	33,486	(35)	101,174	136,618

Group Balance Sheet
As at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Non-current assets			
Goodwill		19,330	19,330
Other intangible assets		1,892	2,729
Property, plant and equipment		11,101	8,635
Right-of-use assets		17,400	18,337
Deferred tax assets		1,726	2,822
		51,449	51,853
Current assets			
Inventories		28,421	27,564
Trade and other receivables		72,449	55,751
Other current assets		-	1
Cash and bank balances		17,638	34,453
		118,508	117,769
Total assets		169,957	169,622
Current liabilities			
Trade and other payables		(10,154)	(10,807)
Lease liabilities		(3,191)	(3,568)
Current tax liability		(375)	(1,972)
		(13,720)	(16,347)
Net current assets		104,788	101,422
Non-current liabilities			
Lease liabilities		(15,792)	(17,077)
Long term provisions		(3,827)	(1,649)
		(19,619)	(18,726)
Total liabilities		(33,339)	(35,073)
Net assets		136,618	134,549
Equity			
Share capital	8	1,993	1,993
Share premium account		33,486	33,486
Employee Benefit Trust shares reserve		(35)	(35)
Retained earnings		101,174	99,105
Total equity attributable to equity holders		136,618	134,549

The financial statements of H&T Group Plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 07 March 2022. They were signed on its behalf by:

C D Gillespie
Chief Executive

Group Cash Flow Statement

For the Year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash (utilised) /generated from operating activities	6	(3,035)	55,350
Investing activities			
Interest received		8	5
Purchases of intangible assets		(158)	(233)
Purchases of property, plant and equipment		(5,231)	(3,005)
Acquisition of trade and assets of businesses		-	(50)
Acquisition of Right-of-use assets		(4,081)	(2,934)
Net cash used in investing activities		(9,462)	(6,217)
Financing activities			
Dividends paid		(3,986)	(996)
Reduction in borrowings		-	(26,000)
Debt restructuring costs		(332)	-
Proceeds on issue of shares		-	313
Net cash used in financing activities		(4,318)	(26,683)
Net (used in) / generated cash and cash equivalents		(16,815)	22,450
Cash and cash equivalents at beginning of the year		34,453	12,003
Cash and cash equivalents at end of the year		17,638	34,453

Notes to the Preliminary Announcement

For the year ended 31 December 2021

1. Finance information and significant accounting policies

The financial information has been abridged from the audited financial statements for the year ended 31 December 2021.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be filed with the Registrar in due course. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006 or equivalent preceding legislation.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (as adopted for use in the UK) ('IFRS'), this announcement does not itself contain sufficient information to comply with IFRS. The Group will be publishing full financial statements that comply with IFRS in April 2022.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services and interest income provided in the normal course of business, net of discounts, VAT, and other sales-related taxes.

The Group recognises revenue from the following major sources:

- Pawnbroking, or Pawn Service Charge (PSC).
- Retail jewellery sales.
- Pawnbroking scrap and gold purchasing.
- Personal loans interest income.
- Income from other services and
- Other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Pawnbroking, or Pawn Service Charge (PSC)

PSC comprises contractual interest earned on pledge loans, plus auction profit or loss, less any auction commissions payable and less surplus payable to the customer. Revenue is recognised over time in relation to the interest accrued by reference to the principal outstanding and the effective interest rate applicable as governed by IFRS 9.

Retail jewellery sales

Jewellery inventory is sourced from unredeemed pawn loans, newly purchased items and inventory refurbished from the Group's gold purchasing operation. For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Under the Group's standard contract terms, customers have a right of return within 30 days. Whilst stores were closed owing to Covid-19 restrictions the returns policy was extended to cover a period of 30 days after the store reopened. Additional flexibility was offered during the year to allow customers to return items by post rather than attend store. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales.

The Group uses its accumulated historical experience to estimate the number of returns. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent and immaterial level of returns over previous years; as a proportion of sales 2021 returns were 7% (2020: 6%)

Pawnbroking scrap and gold purchasing

Scrap revenue comprises proceeds from gold scrap sales. Revenue is recognised when control of the goods has transferred, being at the point the smelter purchases the relevant metals.

Personal loans interest income

This comprises income from the Group's unsecured lending activities. Personal loan revenues are shown stated before impairment when in stages 1 and 2 of the expected credit loss model and net of impairment when in stage 3. The impairment charge is included within other direct expenses in the Group statement of comprehensive income. Revenue is recognised over time in relation to the interest accrued, as dictated by IFRS 9.

Other services

Other services comprise revenues from third party cheque cashing, foreign exchange income, buyback, Western Union, and other income. Commission receivable on cheque cashing, foreign exchange income and other income is recognised at the time of the transaction as this is when control of the goods has transferred. Buyback revenue is recognised at the point of sale of the item back to the customer, when control of the goods has transferred.

The Group recognises interest income arising on secured and unsecured lending within trading revenue rather than investment revenue on the basis that this represents most accurately the business activities of the Group.

Other income

Government grants, including monies received under the Coronavirus job retention scheme are recognised as other income when there is reasonable assurance that the Group will comply with the scheme conditions and the monies will be received. There are no unfulfilled conditions and contingencies attaching to recognised grants.

Gross profit

Gross profit is stated after charging inventory, pledge and other services provisions and direct costs of inventory items sold or scrapped in the year.

Other direct expenses

Other direct expenses comprise all expenses associated with the operation of the various stores and collection centre of the Group, including premises expenses, such as rent, rates, utilities and insurance, all staff costs and staff related costs for the relevant employees.

Inventories provisioning

Where necessary provision is made for obsolete, slow moving, and damaged inventory or inventory shrinkage. The provision for obsolete, slow moving, and damaged inventory represents the difference between the cost of the inventory and its market value. The inventory shrinkage provision is based on an estimate of the inventory missing at the reporting date using historical shrinkage experience.

2. Operating segments

Business segments

For reporting purposes, the Group is currently organised into six segments – pawnbroking, gold purchasing, retail, pawnbroking scrap, personal loans, and other services.

The principal activities by segment are as follows:

Pawnbroking:

Pawnbroking is a loan secured against a collateral (the pledge). In the case of the Group, over 99% of the collateral against which amounts are lent comprises precious metals (predominantly gold), diamonds and watches. The pawnbroking contract is a six-month credit agreement bearing a monthly interest rate of between 2% and 9.99%. The contract is governed by the terms of the Consumer Credit Act 2008 (previously the Consumer Credit Act 2002). If the customer does not redeem the goods by repaying the secured loan before the end of the contract, the Group is required to dispose of the goods either through public auctions if the value of the pledge is over £75 (disposal proceeds being reported in this segment) or, if the value of the pledge is £75 or under, through public auctions or the retail or pawnbroking scrap activities of the Group.

Purchasing:

Jewellery is bought direct from customers through all of the Group's stores. The transaction is simple with the store agreeing a price with the customer and purchasing the goods for cash on the spot. Gold purchasing revenues comprise proceeds from scrap sales on goods sourced from the Group's purchasing operations.

Retail:

The Group's retail proposition is primarily gold, jewellery and watches, and the majority of the retail sales are forfeited items from the pawnbroking pledge book or refurbished items from the Group's gold purchasing operations. The retail offering is complemented with a small amount of new or second-hand jewellery purchased from third parties by the Group.

Pawnbroking scrap:

Pawnbroking scrap comprises all other proceeds from gold scrap sales of the Group's inventory assets other than those reported within gold purchasing. The items are either damaged beyond repair, are slow moving or surplus to the Group's requirements, and are smelted and sold at the current gold spot price less a small commission.

Personal loans:

Personal loans comprise income from the Group's unsecured lending activities. Personal loan revenues are stated at amortised cost after taking into consideration an assessment on a forward-looking basis of expected credit losses.

Other services:

This segment comprises:

- Third party cheque encashment which is the provision of cash in exchange for a cheque payable to our customer for a commission fee based on the face value of the cheque.
- Buyback which is a service where items are purchased from customers, typically high-end electronics, and may be bought back up to 31 days later for a fee. The Group ceased this operation during the 2020.

- The foreign exchange currency service where the Group earns a margin when selling or buying foreign currencies.
- Western Union commission earned on the Group's money transfer service.

Cheque cashing is subject to bad debt risk which is reflected in the commissions and fees applied.

Further details on each activity are included in the Chief Executive's review.

Segment information for these businesses is presented below:

2021 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans £'000	Other services £'000	Other income £'000	Total £'000
External revenue	44,742	20,445	36,227	11,008	2,857	5,445	1,271	121,995
Total revenue	44,742	20,445	36,227	11,008	2,857	5,445	1,271	121,995
Gross profit	44,742	3,382	16,640	2,018	2,857	5,445	1,271	76,355
Impairment	(7,472)	-	-	-	1,460	-	-	(6,012)
Segment result	37,270	3,382	16,640	2,018	4,317	5,445	1,271	70,343
Other direct expenses excluding impairment								(40,239)
Administrative expenses								(18,904)
Recurring operating profit								11,200
Non-recurring expenses								(2,099)
Operating profit								9,101
Interest receivable								8
Financing costs								(1,247)
Profit before taxation								7,862
Tax charge on profit								(1,818)
Profit for the financial year and total comprehensive income								6,044

2020 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans £'000	Other services £'000	Other income £'000	Total £'000
External revenue	38,970	21,508	29,827	19,249	9,781	6,014	3,766	129,115
Total revenue	38,970	21,508	29,827	19,249	9,781	6,014	3,766	129,115
Gross profit	38,970	6,802	11,303	6,163	9,781	6,014	3,766	82,799
Impairment	(4,763)	-	-	-	(1,675)	-	-	(6,438)
Segment result	34,207	6,802	11,303	6,163	8,106	6,014	3,766	76,361
Other direct expenses excluding impairment								(43,750)
Administrative expenses								(15,727)
Operating profit								16,884
Interest receivable								5
Financing costs								(1,257)
Profit before taxation								15,632
Tax charge on profit								(3,070)
Profit for the financial year and total comprehensive income								12,562

Gross profit is stated after charging the direct costs of inventory items sold or scrapped in the period. Other operating expenses of the stores are included in other direct expenses. The Group is unable to meaningfully allocate the other direct expenses of operating the stores between segments as the activities are conducted from the same stores, utilising the same assets and staff. The Group is also unable to meaningfully allocate Group administrative expenses, or financing costs or income between the segments. Accordingly, the Group is unable to meaningfully disclose an allocation of items included in the consolidated statement of comprehensive income below gross profit, which represents the reported segment results.

The Group does not apply any inter-segment charges when items are transferred between the pawnbroking activity and the retail or pawnbroking scrap activities.

2021	Pawn-broking £'000	Gold purchasing £'000	Retail £'000	Pawn-broking scrap £'000	Personal loans £'000	Other services £'000	Unallocated assets/ (liabilities) £'000	Total £'000
Other information								
Capital additions (*)							9,409	9,409
Depreciation, amortisation and impairment (*)							8,731	8,731
Balance sheet								
Assets								
Segment assets	66,862	262	28,030	129	3,050	-		98,333
Unallocated corporate assets							53,484	53,484
Consolidated total assets								169,957
Liabilities								
Segment liabilities	-	-	(878)	-	-	(220)		(1,098)
Unallocated corporate liabilities							(32,241)	(32,241)
Consolidated total liabilities								(33,339)

2020	Pawn-broking £'000	Gold purchasing £'000	Retail £'000	Pawn-broking scrap £'000	Personal loans £'000	Other services £'000	Unallocated assets/ (liabilities) £'000	Total £'000
Other information								
Capital additions (*)							6,060	6,060
Depreciation, amortisation and impairment (*)							9,286	9,286
Balance sheet								
Assets								
Segment assets	48,344	986	25,740	839	5,891	-		81,800
Unallocated corporate assets							72,476	72,476
Consolidated total assets								169,622
Liabilities								
Segment liabilities	-	-	(814)	-	-	(274)		(1,088)
Unallocated corporate liabilities							(33,985)	(33,985)
Consolidated total liabilities								(35,073)

(*) The Group cannot meaningfully allocate this information by segment due to the fact that all the segments operate from the same stores and the assets in use are common to all segments.

Geographical segments

The Group's revenue from external customers by geographical location are detailed below:

	2021 £'000	2020 £'000
United Kingdom	120,278	127,487
Other	1,717	1,628
	121,995	129,115

The Group's non-current assets are located entirely in the United Kingdom. Accordingly, no further geographical segments analysis is presented.

3. Financing costs

	2021 £'000	2020 £'000
Interest on bank loans	102	404
Other interest	1	1
Interest expense on the lease liability	950	735
Amortisation of debt issue costs	194	117
Total interest expense	1,247	1,257

4. Tax charge on profit

(a) Tax on profit on ordinary activities

	2021 £'000	2020 £'000
Current tax		
United Kingdom corporation tax charge at 19% (2018: 19%) based on the profit for the year	1,738	3,628
Adjustments in respect of prior years	(973)	(14)
Total current tax	765	3,614
Deferred tax		
Timing differences, origination and reversal	453	(358)
Adjustments in respect of prior years	1,240	(6)
Effect of change in tax rate	(640)	(180)
Total deferred tax	1,053	(544)
Tax charge on profit	1,818	3,070

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than that resulting from applying a standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	7,862	15,632
Tax charge on profit at standard rate	1,494	2,970
Effects of:		
Disallowed expenses and non-taxable income	547	236
Non-qualifying depreciation	39	840
Effect of change in tax rate	(640)	(180)
Movement in short-term timing differences	112	(776)
Adjustments to tax charge in respect of prior years	266	(20)
Tax charge on profit	1,818	3,070

In addition to the amount charged to the income statement and in accordance with IAS 12, the excess of current and deferred tax over and above the relative related cumulative remuneration expense under IFRS 2 has been recognised directly in equity. The amount taken to equity in the current period was £41,000 (2020: release from equity £98,000).

5. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. With respect to the Group these represent share options and conditional shares granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

Reconciliations of the earnings per ordinary share and weighted average number of shares used in the calculations are set out below:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Earnings £'000	Weighted average number of shares	Per-share amount pence	Earnings £'000	Weighted average number of shares	Per-share amount pence
Earnings per share: basic	6,044	39,162,612	15.43	12,562	39,124,959	32.11
Effect of dilutive securities						
Options and conditional shares	-	-	-	-	1,278	(0.00)
Earnings per share: diluted	6,044	39,162,612	15.43	12,562	39,126,237	32.11

6. Notes to the Cash Flow Statement

	2021 £'000	2020 £'000
Profit for the year	6,044	12,562
Adjustments for:		
Investment revenues	(8)	(5)
Financing costs	1,247	1,257
Increase in provisions	2,178	160
Income tax expense	1,818	3,070
Depreciation of property, plant and equipment	2,666	2,204
Depreciation of right-of-use assets	5,071	5,122
Amortisation of intangible assets	994	1,428
Right of use asset Impairment	(179)	531
Share-based payment expense	55	(35)
Loss on disposal of property, plant and equipment	38	99
Loss on disposal of RUA	3	-
Operating cash flows before movements in working capital	19,927	26,393
(Increase)/decrease in inventories	(857)	1,679
Decrease in other current assets	1	713
(Increase)/decrease in receivables	(15,574)	35,200
Decrease in payables	(2,008)	(3,842)
Cash generated from operations	1,489	60,143
Income taxes paid	(3,349)	(3,707)
Interest paid on loan facility	(225)	(350)
Interest paid on lease liability	(950)	(736)
Net cash generated from operating activities	(3,035)	55,350

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

7. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA

EBITDA is a non IFRS9 measure and is defined as earnings before interest, taxation, depreciation and amortisation. It is calculated by adding back depreciation and amortisation to the operating profit as follows:

	2021 £'000	2020 £'000
Operating profit	9,101	16,884
(i) Depreciation of the right-of-use assets	5,071	5,122
(ii) Depreciation and amortisation- other	3,660	3,633
(iii) Impairment of the right-of-use-assets	(179)	531
EBITDA	17,653	26,170

The Board consider EBITDA to be a key performance measure as the Group borrowing facility includes a number of loan covenants based on it.

8. Share capital

	2021 £'000	2020 £'000
Issued, authorised and fully paid		
39,864,077 (2020: 39,864,077) ordinary shares of £0.05 each	1,993	1,993

The Group has one class of ordinary shares which carry no right to fixed income.

The Group issued share capital amounting to £nil (2020: £6,000) during the year. Associated share premium of £nil (2020: £307,000) was created.