

H&T Group PLC (“H&T” or “the Group” or “the Company”)

PRELIMINARY RESULTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

H&T Group plc (AIM:HAT), the UK’s largest pawnbroker and a leading retailer of high quality new and pre-owned jewellery and watches, today announces its preliminary results for the twelve months ended 31 December 2022 (“the period” or “the year”).

Highlights

- Profit before tax of £19.0m (2021: £10.0m excluding non-recurring expense of £2.1m) as the core pawnbroking business continued its sustained growth and contribution to profit, supported by strong performances across all business segments.
- Growth in the Pledge Book of over 50%, to finish the year at £100.7m (2021: £66.9m), as demand for pledge lending continued to rise.
- Demand for retail jewellery and watches continued to grow, with sales of £45.2m (2021: £36.2m) and margins moderating as expected, to 39.3% (2021: 45.9%). This reflects the evolving product mix and the proportion of new versus pre-owned items.
- Foreign currency net income grew significantly to £5.7m (2021: £3.0m), exceeding pre-Covid levels, as international travel demand continued to build momentum.
- Balance sheet remains robust with net asset value of £164.1m (2021: £136.6m), augmented by the recent capital raise which amounted to £16.1m net. Net asset value per share of 374.3p (2021: 342.7p). Growth in pledge lending and capital expenditure has utilised cash resources as expected, with the Group ending the year with a net debt position of £2.8m (2021 cash balance: £17.6m).
- Basic earnings per share of 37.2p (2021: 15.4p).
- Proposed full year dividend of 15.0p (2021: 12.0p), representing a payout ratio of 40%, in line with our stated progressive dividend policy, subject to maintaining cover of at least two times.

Chris Gillespie, H&T chief executive, said:

“H&T has a proud history and celebrated its 125th anniversary in 2022. I am delighted with the progress we have made in growing our business and investing in its future during the year. Our success is built upon a strong ethos of putting customers at the heart of everything we do. This is only possible because of the exceptional colleagues we have, right across the Group, and I thank them all for their unwavering dedication and commitment to the success of H&T.

Trading performance continued to build steadily throughout the year, materially ahead of initial expectations. This trend has continued into the new year. January 2023 was a record month, both for lending demand and for online retail sales, the value of which reached £1m in a single month for the first time. As at the end of February 2023 the pledge book had seen further growth and stood at

c. £104m. We also continue to see strong demand for our FX services. We continue to believe that FX represents a growth opportunity for the Group.

During 2022, we opened eleven new stores with one closure, increasing the store estate to 267 (2021: 257 stores). Two new stores have been added since the year end, taking the total to 269, with seven further store openings currently in course. All stores opened in the last two years are on track to be profitable on a run rate basis no later than their second trading year, and the net impact of planned new store openings on forecast earnings is not expected to be material.

We were delighted to receive support for our growth ambitions from both new and existing shareholders, enabling us to raise incremental growth capital in September 2022. We continue to focus on growing our pledge book and expanding our store estate in a measured and carefully considered manner. Further, we are accelerating the programme of refurbishment in our existing stores, with c. 50 store refurbishments planned for 2023. Investment in our technology platforms continues, with the successful implementation of the in-house developed point of sale system (“EVO”) across the full store estate by Q4 2022, in line with our plans. Phase 2 of this development is underway and further investment into our technology infrastructure and online customer journey will continue as we commit to being at the forefront of innovation in our industry.

We were very pleased to complete the acquisition of Swiss Time Services in July, which has enabled the Group to bring exceptional watch expertise to our business. The integration of the Swiss Time team into the wider H&T Group, has and will continue to offer synergies and opportunities to further develop our strategy in the increasingly important watch segment of our business.

I would like to personally thank Peter McNamara for the wisdom and dedication he has brought to the Group during his long tenure as chair. On behalf of everyone at H&T, I wish Peter well for the future and I am pleased to welcome Simon Walker to the role. He chairs a business which has a proud history and an exciting future, and I very much look forward to working with him.”

Financial Highlights (£m unless stated)	2022	2021	Change %
Profit before tax	£19.0m	£10.0m*	90.0%
Reported Profit before tax	£19.0m	£7.9m	140.5%
Diluted EPS (p)	37.2p	20.8p*	78.8%
Reported Diluted EPS (p)	37.2p	15.4p	141.6%
Dividends per share (p)	15.0p	12.0p	25.0%
Net assets	£164.1m	£136.6m	20.1%
Key Performance Indicators			
Net Pledge book	£100.7m	£66.9m	50.5%
Net Pawnbroking Revenue	£51.0m	£37.3m	36.7%
Retail sales	£45.2m	£36.2m	24.9%
<i>online sales (excl. refunds)</i>	13%	13%	
<i>new jewellery sales</i>	22%	16%	
<i>gross margin</i>	39.3%	45.9%	
Foreign exchange Revenue	£5.7m	£3.0m	90.0%
Number of stores	267	257	

*Excluding non-recurring expense of £2.1m

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Chairmans Report

Having joined the board of H&T in 2006, the journey since has been one of constant evolution and growth, always underpinned by the exceptional service provided by my colleagues in the business as they build strong and enduring relationships with customers. This core ethos, putting the customer at the very heart of our business, remains our biggest strength and I am confident this will continue as I hand over to Simon Walker as incoming chair.

I said in my 2021 report that the Group's trading performance in our core businesses had been the strongest I had seen in my time as chair. This remains the case. The growth in the pawnbroking pledge book throughout the year, demonstrates a continued increase in borrowing demand by customers during a year of uncertainty, rising inflation, higher interest rates and in particular, the impact of war in Ukraine upon food, fuel and utility prices. Access to credit by those seeking a small sum over a short term, is more restricted now than has been the case for many years and has been a key driver of growth in our pledge book. The combination of these factors, along with a systemic shift towards pre-owned jewellery and watch purchases, provides the Group with a unique opportunity to grow its business in the medium term. Pre-owned jewellery and watches represent both excellent value for money and a store of value and have strong environmental and sustainability credentials.

The Year in Review

Our priority for 2022 was to focus on the core pawnbroking and retail segments, both of which delivered strong performances, and on our foreign currency business which has now recovered to above pre-pandemic levels. The Board believes that foreign currency represents a significant growth opportunity for the Group.

I am particularly pleased with the progress made by the c. 70 stores we acquired in 2019, and the seamless manner in which they have been integrated into our business. The rate of growth delivered by these stores, in both pawnbroking and retail sales, exceeds that of the business as a whole, and the colleagues who joined us at the time are now very much part of the H&T family.

The acquisition of Swiss Time Services in July brings exceptional watch expertise to the Group which will enable us to broaden the range of services we can offer to our customers, as well as bringing a significant proportion of our watch repair and servicing work in-house. The first few months following the acquisition, have seen the team at Swiss Time Services transition to become very much a key part of H&T, and the Board has high expectations of the value they will bring to the Group over time.

In April, the Group was able to agree with the Financial Conduct Authority, a programme of redress in respect of approximately 13% of customers who prior to October 2019, had borrowed from us on our High Cost Short Term unsecured credit product. The Group no longer offers unsecured loan products. A provision of £2.1m was raised in our 2021 financial results, to cover the estimated cost of this redress programme. Excellent progress has been made, with over 80% of eligible customers receiving their redress payments thus far.

The positive trading momentum has resulted in the pledge book exceeding £100m at the year end. This is a significant milestone for the Group and, as we enter 2023, demand continues to grow. Retail sales in the second half of the year were robust, and I am particularly pleased to note the progress we have made in developing our online retail offering. The foreign exchange business represents a significant growth opportunity and is receiving increased focus and investment. Further, we have been

increasing the level of investment in our store estate and in our technology platforms. The combination of these factors led us to seek the support of our shareholders in raising equity of £16.9m gross in September 2022. On behalf of the Board, I would like to thank existing and new shareholders for the confidence they showed in our growth ambitions by participating in the Placing and Retail Offer. We are deploying these funds by growing the pledge book and expanding the store estate in a careful and measured manner.

Subject to shareholder approval, a final dividend of 10.0p (2021: 8.0p) per ordinary share will be paid on the 23rd June 2023 to those shareholders on the register at close of business on the 19th May 2023. This brings the full year dividend to 15.0p (2021: 12.0p), a 25% increase and reflecting the Board's confidence in the future prospects of the business. The dividend remains in line with our progressive dividend policy and maintains a coverage ratio of at least two times that of earnings.

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 existing store estate, and 2023 will see this level of investment increase significantly, with c. 50 refurbishments planned.

The Group continues to invest in the development of its technology platforms to deliver better customer experiences while significantly improving our ability to use transactional and product level data. Our websites and online journeys have been refreshed in 2022, with further improvements planned for 2023 which will improve visibility, navigability and make it easier for customers to transact with us without necessarily having to visit a store.

We remain confident that the trading environment will be positive for our business. In particular, 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 also expect demand for foreign exchange services to continue to rise as the level of overseas travel continues to normalise post Covid, and as our investment in marketing bears fruit, continued positive momentum in our sales of pre-owned retail jewellery and watches.

However, like all businesses, H&T continues to experience supply chain pressures, higher 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 remain a key management focus, while ensuring capital is invested appropriately and where attractive, sustainable returns can be achieved. We will always ensure our entry pay levels are above the National Living Wage with opportunities for progression as individuals develop their careers with H&T.

ESG

Through the use of the Taskforce for Climate-Related Financial Disclosure framework, the Group has identified the relevant physical and transitional risks, along with opportunities to which it has exposure. With the backdrop of the identified risks and opportunities, three strategic priorities were identified to help support the Group in lowering its carbon footprint. These priorities are to minimise the carbon footprint across our property portfolio, partner with proactive and responsible suppliers

to jointly reduce our overall carbon impact, and actively encourage and promote the positive environmental and sustainability benefits of pre-owned jewellery and watches with particular emphasis on minimising waste and promoting re-use.

Following the completion of a board effectiveness review in early 2022, we have made significant progress in the areas highlighted. I was pleased to welcome Simon Walker and Toni Wood as members of the Board, both of whom have broadened the range of experience and skill around the board table. I would also like to thank Mark Smith and Elaine Draper, who stepped down at our AGM in May 2022, for their significant contribution to the Group over recent years.

Summary

The Board views the future with growing confidence, albeit with a close eye on an increasingly challenging macro-economic environment for all our stakeholders.

On behalf of the Board and shareholders, I would like to thank everyone at H&T for their unwavering hard work, dedication, and resilience over this past year. As I step away from the Group after seventeen years as a member of the Board, I would like to offer my very best wishes for the future.

Chief Executive's Review

The past year has been a challenging period for businesses and individuals alike. Following on from the Covid-19 pandemic, 2022 brought levels of inflation not seen for a generation – particularly in food, fuel, and utility prices – and rising interest rates. Against this backdrop, H&T has delivered strong growth and a resilient operational performance and enters 2023 with increasing trading momentum.

Sustained demand for H&T's product offering has seen the Group deliver revenue growth across the business, with profit before tax up 90% to £19.0m (2021: £10.0m excluding non-recurring expense of £2.1m). These results are materially ahead of initial market expectations and in line with current market expectations, which were revised upwards following the successful equity raise concluded in September 2022.

This growth in revenue has been delivered by all the Group's product segments – particularly pawnbroking – and across all channels, both in physical stores and increasingly via our digital platforms. Online retail sales in the all-important pre-Christmas trading period of December, were up over 100% compared with the prior year, with January 2023 an all-time record month.

The equity raised in September 2022 is enabling us to continue to grow the pledge book, which had increased by over 50% to £100.7m as at the end of December (2021: £66.9m) and increasing the store estate to 267 stores from 257 at the prior year end.

The strength of the Group's balance sheet has been further enhanced by the recent capital raise, and is underpinned by the inherent value of gold, precious metals, jewellery and watches expressed at cost. Net assets of £164.1m (2021: £136.6m) is comprised of the pledge book £100.7m (2021: £66.9m), inventory of £35.5m (2021: £28.4m) and a net debt position of £2.8m (2021 cash balance: £17.6m).

Review of Operations

Pawnbroking

Borrowing demand by individuals and business owners has returned. This is in part as a result of economic conditions and in particular, the impact of inflation on disposable incomes. This borrowing need has returned at a time of significantly constrained supply of small sum, short term credit. The overwhelming majority of H&T's pawnbroking loans are for a small sum – typically c. £200 – and are for a contractual term of six months. This market dynamic has created a growth opportunity for pawnbroking and, as the market leader, for H&T in particular.

Aggregate lending for the year increased by over 52% to £218m (2021: £143m), with the number of loans granted to customers borrowing from H&T for the first time rising significantly. Currently, over 13% of loans are to new borrowers, with new customer volumes up over 40% year on year. The pledge book grew in the year by over 50% to £100.7m (2021: £66.9m). Growth has been delivered across the whole of the store estate, with a slightly higher level of growth in our more Northerly stores, and in particular, in the c. 70 stores acquired in 2019.

Monthly lending volumes in the first two months of 2023, have been at record levels.

Redemption rates have been consistent at c. 85% and remain above pre-pandemic norms. Loan duration has been stable through 2022 at 97 days, albeit it there has been a trend over the past two years for customers to repay their loans more quickly than historic averages of nearer 108 days. It is possible that in future, average duration may rise as a result of the impact of inflation on borrowers' disposable incomes and hence, reduce their propensity to repay their loan early.

Loan to Value ratios continue at c. 65% (2021: c. 65%) with an average loan size of £405 (2021: £339). The median lending value remained stable at £185 (2021: £175). We have seen a normalisation of demand across the spectrum of loan sizes, with a growing number of requests for larger value loans. As expected, this has resulted in a moderation of the risk adjusted yield to historic levels, which at c. 61% is in line with the risk adjusted margin reported at the half year. We have seen growth in the proportion of our lending where the pledged asset is a high-quality watch. Watch lending now represents c. 15% (2021: c. 12%) of the loan book. These loans tend to be slightly larger than the average, and also remain on the book for a marginally longer term.

	2022 £'m	2021 £'m	Change %
Year-end net pledge book – note 1	£100.7m	£66.9m	50.5%
Average net pledge book	£83.8m	£53.7m	56.1%
Revenue less impairment	£51.0m	£37.3m	36.7%
Risk adjusted margin – note 2	60.9%	69.5%	
Notes:			
1. Includes accrued interest and impairment			
2. Net revenue expressed on an annualised basis as a percentage of the average net pledge book over the previous 12 months			

Retail

H&T is a leading retailer of high quality new and pre-owned jewellery and watches. The Group is currently ranked as the sixth largest jewellery and watch retailer in the UK (source: www.professionaljeweller.com).

Retail sales increased by 25% to £45.2m (2021: £36.2m). Gross profits were up 7.2% to £17.8m (2021: £16.6m) with, as expected, gross margin moderating to 39.3% (2021: 45.9%). The reduction in the gross margin is as a result of changing sales mix between new and pre-owned items, along with dynamic pricing and inventory management. Sales of pre-owned watches have been particularly buoyant, representing 16% of total sales by value at an average retail price of c. £1,000.

Sales of new products represented 22% (2021: 16%) of total sales by value. Supply of some popular pre-owned product lines remains constrained, and demand has instead been satisfied through the sale of new items. As the growing pledge book yields an increasing volume of pre-owned items which are deemed suitable for retail sale, we expect the need to supplement retail stock with new, lower margin items to reduce, and hence the proportion of pre-owned sales to increase.

Online sales increased by c. 26% to £5.9m, after adjusting for returned items and refunds (2021: £4.7m). This represents 13% (2021: 13%) of total sales by value, with almost half of these sales viewed in store by the customer prior to completing their purchase.

Our online offering has been enhanced through the year, with a new website platform in development for expected roll out in the first half of 2023. January 2023 saw record online sales, reaching £1m in a single month for the first time.

Total inventory of £35.5m (June 2022: £36.1m and December 2021: £28.4m) was held as at 31st December, including stock of parts held at Swiss Time Services amounting to £0.5m. The value of watches in the process of repair as at December had increased to c. £4m (2021: £1.7m), as a result of increased volumes and parts supply pressure across the industry. In addition, demand by consumers to sell their gold items is a contributor to the increase in inventory, along with higher quantities of pledged items released from the growing pawnbroking book. To address this, we are investing in further capacity at our processing centre, with an additional facility coming on stream in the first half of 2023. In the meantime, we have focused on processing our inventory as efficiently as possible in order that the c. 40% which is deemed suitable for retail sale, is made available to our retail platforms as quickly as possible.

Retail inventory as at the end of December amounted to c. £25m at cost (2021: £21.4m) and has reduced to c. £23m as at the end of February 2023.

Foreign Currency

Foreign currency revenues have fully recovered to pre-pandemic levels as demand for overseas travel continues to gather momentum. Average transaction values reduced by approximately 10% year on year, to £390 (2021: £430) evidencing, we believe, careful holiday budgeting by consumers.

Gross profit rose to £5.7m (2021: £3.0m), an increase of 90%. The provision of foreign currency services has been identified as a future growth opportunity for the Group and is receiving increased focus and investment.

Gold Purchasing and Scrap

Gold Purchasing

Gross profit earned from scrap purchasing was £6.8m (2021: £3.4m), an increase of 100%. Margins improved to 19% (2021: 17%) supported by a strong gold price, whilst both the gold price and the impact of inflation on customers' disposable income has underpinned increasing demand. The average gold price per troy ounce during the period was £1,450 (2021: £1,308).

Pawnbroking Scrap

As the pledge book grows and matures, the volume of items released for retail sale or scrap rises commensurately. Typically, c. 60% of such items are processed for scrap. Pawnbroking scrap has a longer conversion cycle – usually 10 to 11 months after the date of the original loan – than purchased items. Gross profit grew by 75% to £3.5m (2021: £2.0m), with gross margin of 19% (2021: 18%). Margin was impacted by a decision to dispose of, by auction, a small number of higher value jewellery items and watches which had been held in inventory for some time, and where the cost of repair was deemed uneconomic.

Other Services

Money Transfer

Money transfer activity drives significant footfall to our store estate and represents an opportunity for colleagues to bring customers' attention to our wider service offering. Contribution in the year increased to £1.5m (2021: £1.3m) reflecting higher transaction volumes, particularly of inbound transfers.

Cheque Cashing

2022 saw an increase in demand for this service for the first time in several years, following the decision by some local authorities and government departments to issue cost of living support payments by cheque. Consequently, contribution in the year increased to £1.2m (2021: £1.1m) despite the systemic decline in the use of cheques in the wider economy.

Personal Lending

The Group no longer offers an unsecured lending product. Lending volumes reduced significantly after Q4 2019, and all lending ceased in early 2022. The unsecured loan book has since continued to receive repayments, and corresponding impairment provisions have been released. The outstanding book has reduced to £0.7m (2021: £3.1m) with revenues earned reducing to £2.1m (2021: £4.3m) as the underlying book repays.

2023 Business Focus and Outlook

With continued investment in scale and capabilities, along with broadening our business in the context of wider macro-economic factors, we believe that the Group has an opportunity for significant growth in the medium term. This applies across our product offering. Our focus is to ensure that the Group is well positioned to take advantage of these growth opportunities. Our priorities are:

Store Estate

We believe that our stores, and our outstanding colleagues, are and will remain at the heart of our business. There are opportunities to expand the geographic coverage of our store network and we are investing both in new store openings and in refreshing existing stores. We added eleven new stores during 2022, with one closure. Two further stores have been added since the year end, bringing the total number of stores to 269. We have a prioritised list of potential locations throughout the UK. Further openings are planned for the remainder of the year and beyond, with the capital investment of a new store being relatively modest and an expectation that new stores will become profitable, on a run-rate basis, no later than their second year of operation.

Digital Strategy and Customer Journey

A new Point of Sale (PoS) system, known as EVO, was successfully deployed across the store network in the second half of 2022 as planned. Further functionality enhancements will be implemented through 2023. In addition, phase 2 of the development will bring the new system to our jewellery processing centre, which along with additional capacity, is expected to significantly improve productivity. EVO will revolutionise customers' experience in stores whilst providing us with improved data and a single view of the customer relationship across all products. This will support more effective and better targeted marketing communications and merchandising.

We will significantly improve and enhance our online presence. We have started with the investor relations portal which has recently been refreshed, and the customer facing websites and our social

media presence are both in the process of being upgraded. This will be an ongoing process of continual evolution. Our aim is to further modernise the functionality, and the look and feel. We intend to make it easier for customers to do business with us through the channel they choose.

The FCA published the Consumer Duty requirements in the latter half of 2022, H&T has a strong commitment to ensuring these requirements are met.

Broadening our Business

On 1st July 2022, the Group completed the acquisition of Swiss Time Services Limited. This is an exciting opportunity for us to bring exceptional watch expertise in-house and broaden the range of services we can offer to customers. Watches represent a growing part of the business and a further growth opportunity. Watches currently represent 15% of pledge lending and 16% of retail sales by value. We believe that by enhancing our capabilities in this area, we can further develop this line of business. We will, in 2023, trial a “care and repair” service for customers, for which we believe there will be significant appetite.

In 2019, the Group acquired a portfolio of over 70 stores and pledge books, the integration of which has been very successful. These stores are growing at a rate above that of the wider H&T store estate, particularly in respect of pawnbroking, and the team has become very much a part of the H&T family. We believe that further consolidation opportunities may present themselves in future.

Macro-Economic Environment

We see the trading environment in the near term being positive for H&T.

Pledge Book

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 more constrained than has been the case for many years.

Retail

H&T is a leading retailer of high quality pre-owned jewellery and watches. We also offer our customers an expanding range of new jewellery items. H&T is currently the sixth largest jewellery and watch retailer in the UK (source: www.professionaljeweller.com). Demand has remained robust through 2022 and in the early months of 2023, with January 2023 being a record month for online sales. We believe that there are systemic reasons for the strength of this demand, including the growing attractiveness of buying pre-owned products and the environmental and sustainability benefits this brings. Customers view these items as representing good value for money, and also as a store of value which can be sold or used as collateral for a future pledge loan if their circumstances change. We believe that these dynamics are likely to continue.

Other

We expect increasing demand for foreign exchange services as overseas travel continues to rebound. With increased focus and the introduction of online options for customers, we continue to consider this market to be a growth opportunity for the Group.

Our Cost Base

Like all businesses, H&T is experiencing continued supply chain pressures and the impact of inflation. We are mindful of the impact of these economic factors on all our stakeholders. H&T is primarily a fixed cost business and achieving operating efficiencies will remain a key management focus while ensuring capital is invested where appropriate and where attractive, sustainable returns can be achieved.

We have rewarded our employees with increases in basic pay, and with bonuses intended to recognise their hard work and contribution throughout 2022. We have also seen an increase in variable performance related pay, given the strong performance of the business.

We fixed the cost of energy supplies for two years at the end of 2021, and we remain able to obtain attractive renewal terms as our rental agreements fall due for review. Typically, the store estate is subject to three or five year rent reviews.

Chief Financial Officer's Review

Financial Results

The Group delivered profit before tax of £19.0m (2021: £7.9m after non-recurring expense of £2.1m).

Reported gross profit increased to £101.9m (2021: £76.4m), up 33.4%, with all of the Group's core business segments delivering significant growth. Pawnbroking and Retail remain the largest segments of the business, contributing 63% (2021: 59%) and 17% (2021: 22%) respectively to gross profit.

Pawnbroking income is strongly correlated to the growth in the underlying pledge book, the profile of the pledge book in both the value and the timing of individual lending throughout the course of the year, and the impact of International Financial Reporting Standards (IFRS) 9. The composition of the pledge book has returned to historic norms, with demand for larger loans returning during the year. Risk adjusted margins reduced, as expected, to 60.9 % (2021: 69.5%), with the risk adjusted margin during the second half of the year in line with the reported H1'2022 result (June 2022: 61.4%).

Gross profit contribution from retail jewellery and watch sales grew by 7.2% to £17.8m (2021: £16.6m) on sales of £45.2m (2021: £36.2m). The growing pledge book and increased volumes of gold purchases, together provide a greater volume of pre-owned items available to be included in the retail product mix. Margins have normalised during 2022 to 39.3% (2021: 45.9%) and have been broadly consistent throughout the year (H1'2022: 41.7%) reflecting the evolving product mix and the proportion of new versus pre-owned items.

Foreign Currency is a strategic growth opportunity for the Group, increasing gross profit contribution by 90% to £5.7m (2021: £3.0m) and its proportion of Group gross profit to 6% (2021: 4%). We are investing in improving the customer proposition with an online offering and broadening the range of currencies available to customers.

Gold purchasing gross profit has doubled to £6.8m (2021: £3.4m) as the prevailing gold price and impact of inflation on customers' disposable incomes, supported increased demand. Margins of 19% (2021: 17%) were achieved in the year. Gold purchasing gross profit contributed 7% (2021: 4%) of Group gross profit.

Scrap sales gross profit increased by 75% to £3.5m (2021: £2m), contributing 3% (2021: 3%) of total Group gross profit. Volumes are highly correlated to the size of the underlying pledge book, as unredeemed pledge loan items that are not sold at auction, and which are not of suitable retail quality, are processed for scrap. This activity realised a margin of 19% (2021: 18%). With an increasing underlying pledge book and consistent rates of redemptions by customers, the volume of scrap sales are expected to rise commensurately, with a lag typically of 10 to 11 months after the date of the original loan.

Other sources of gross profit amounted to £4.4m (2021: £6.6m), decreasing by 33% as expected. Personal lending net contribution fell to £2.1m (2021: £4.3m), as the Group ceased all unsecured lending in the first half of 2022 and the remaining book reduces as payments are received and IFRS 9 impairment provisions are released accordingly. Revenue from the cashing of third party cheques grew by 9% to £1.2m (2021: £1.1m) and commissions earned on money transfer services increased by 15% to £1.5m (2021: £1.3m).

Pawnbroking Income, Pledge Book and IFRS 9

Pawnbroking income is recognised as contractual interest earned on a pledge loan over its contractual maturity of 6 months, with interest accrued reflecting the principal outstanding and the effective interest rate, as governed by IFRS 9. Interest is charged on a daily basis, and no early termination penalties or fees are charged to the customer if the loan is repaid prior to its 6 month maturity.

International Financial Reporting Standards, IFRS 9, specifies how an entity should classify and measure a financial asset and requires recognition of impairment losses on a forward-looking basis, which means the impairment loss is required to be recognised before the occurrence of any loss event in the underlying pledge loan.

A pledge loan receivable is recognised on the day a pledge loan is granted. If a customer does not repay their pledge loan, no interest is recognised on this unpaid loan. A customer may alternatively elect to repay their pledge loan before its contractual maturity. Both instances will reduce the realised effective interest earned on the pledge loan versus the initial expected interest to be earned at the time when the pledge loan is granted.

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

Interest income is earned on the pledge loan over time, while IFRS 9 requires the estimate of future impairment to be recognised on the day the pledge loan is granted. This mismatch between the recognition of impairment costs and interest accrued is intensified in periods of growth, or reduction, in the underlying pledge book. The effect of the day one impairment charge incurred in 2022 has been to reduce the annual risk adjusted margin as the IFRS 9 loss allowance impairment provision grew to £12.4m (2021: £11.1m).

Costs

Direct and administrative expenses increased to £81.4m (2021: £65.2m), growing by 25% as expected.

Impairment charges, required to be raised by accounting standards IFRS9, are included in the direct expense category. These impairment charges have increased substantially to £11.8m (2021: £6.0m), as the significant growth in the underlying pledge book requires an appropriate level of impairment provisioning.

Employee related costs, excluding variable remuneration, increased by 7%. The strong growth momentum of the Group resulted in increased performance related pay for store and other customer facing colleagues, in line with a balanced scorecard approach. Group share incentives granted historically, the vesting of which requires achievement of both earnings and return targets, required increased provisions in 2022 given the strong momentum in both earnings and the share price.

Other costs returned to a normalised rate of expenditure following the lifting of Covid-19 restrictions and support measures that were in place in 2021. For example, government support in the form of rates relief was not repeated in 2022, and travel and similar costs returned to pre-pandemic run rates. We also made the decision to increase marketing expenditure in support of our broader strategy.

The provision raised in 2021 for the implementation of the customer redress programme, following the regulatory review of our now closed High Cost Short Term loans business, was disclosed separately as a non-recurring expense in the 2021 results, and has been utilised during the course of the year as redress payments have been made to customers. The remaining provision available for future redress

payments as at 31 December 2022 was £0.4m (2021: £2.1m). Over 80% of eligible customers have received redress to date, with the programme continuing.

Headcount

The Group employed 1,540 (2021: 1,423) colleagues at 31st December 2022, with the increase in headcount supporting the growth in store estate and in key support functions, along with over 30 colleagues joining the Group following the acquisition in July of Swiss Time Services.

Acquisition of Swiss Time Services

Swiss Time Services was acquired by the Group on 1st July 2022, for a total consideration of £4.3m, inclusive of a net cash balance of £0.5m. Swiss Time Services is a UK based company operating in the watch servicing and repair industry. The acquisition was funded from the Group's existing borrowing facility and has been accounted for under the accounting standard IFRS 3. The business has remained profitable in the early months following acquisition.

Share Capital

The Group successfully raised gross proceeds of £16.9m via a capital raise concluded on the 30th September 2022. A total of 3,986,407 new ordinary shares were placed at a price of 425p per share. These new shares rank pari passu in all respects with existing shares in issue. Following the admission of the newly issued shares, the Group has a total of 43,850,484 shares in issue.

The total cost associated with raising the additional equity amounted to £0.9m and has been deducted from the gross value of the capital raised, in line with accounting standard IAS 32.

The additional capital will be deployed in growing the pledge book beyond initial 2022 expectations, the expansion of the store estate by up to 20 stores in 2023, and in supporting further investment in our existing store estate and in our IT infrastructure.

At the 31 December 2022, the Group operated three share award schemes: Approved Share Options Scheme ("ASOS"), Unapproved Share Option Scheme ("USOS") and Performance Share Plan "PSP". The required provision charge for the year for the PSP scheme was £0.6m (2021: £0.0m).

Options exercised by employees under the 2012 and 2013 share option schemes, amounted to 16,852 which were satisfied by the Group's Employee Benefit Trust.

The 2019 PSP scheme did not meet the minimum vesting criteria and lapsed accordingly.

Tax

The corporate taxation charge for the year was £4.1m (2021: £1.8m). The group has an effective tax rate of 21.5% for the current year compared with 23.1% in the prior year. The Group was able to make use of the super-deduction allowance for investment in plant and machinery for two years from 1st April 2021. The timing of qualifying tax deductibility versus accounting recognition of expenditure, results in deferred taxation and contributes to the effective tax rate of 21.5%.

Balance Sheet and Capital expenditure

The Group's net asset value increased to £164.1m (2021: £136.6m). The balance sheet is underpinned by the inherent value, expressed at cost, of precious metals in the form of collateral for the pledge book and in inventory, as well as cash balances.

With sustained demand for small sum short term lending, the pledge book grew to £100.7m (2021: £66.9m).

Inventory increased to £35.5m (2021: £28.4m), including £0.5m of stock in parts held at Swiss Time Services. During H2 of 2022, elevated inventory holdings at the jewellery centre were processed and either sent for scrap or made available for retail sale. The value of watches in the course of repair as at December 2022 had increased to c. £4m (2021: £1.7m), as a result of higher volumes and parts supply pressures which are evident across the industry. Subsequent to the year end, many of these watches have been made available for retail sale.

The Group ended the year with a net debt position of £2.8m, after starting 2022 with a positive cash position of £17.6m, as the Group funded organic and inorganic growth opportunities.

Non-current assets grew to £59.6m (2021: £51.4m) with the investment of capital expenditure in IT development and the store estate by £3.5m (2021: £1.6m), and the acquisition of Swiss Time Services of £3.8m.

Costs incurred in the development of the new technology platform known as Evo during the year, have been capitalised and amounted to £1.7m (2021: £1.1m), in line with accounting standard, IAS 38. Further costs are expected to be capitalised as additional phases of development are undertaken.

Cash Flow and Financing Facilities

The Group utilised £20.4m (2021: £16.8m) of cash resources during the year, after paying dividends of £5.1m (2021: £4.0m), growing the debtor book, predominately the pledge book, by £30.9m (2021: £15.6m), the acquisition of Swiss Time Services of £3.8m and capital investment of £14.3m (2021: £9.5m).

New equity was raised in September 2022 generating net proceeds of £16.1m.

At 31 December 2022 the Group had a net debt position of £2.8m, utilising £15m of the revolving credit facility and cash balances on hand of £12.2m.

The Group's financing facilities were renewed on 22nd December 2022 to comprise a combination of a £30m three-year revolving credit facility with the option to extend to a maximum period of five years (previously £15m with a maximum period of four years) and a £5m overdraft facility (previously £20m). We believe this revised structure supports the growth ambitions and expected borrowing needs of the Group. Discussions are underway to explore the possibility of increasing the aggregate value of available funding facilities.

The revolving credit facility is subject to unchanged margins of between 1.7% and 2.45% above SONIA, with a non-use fee of 50% of the margin on the undrawn portion of the facility. The facility has a maturity date of 22 December 2025.

The overdraft margin is unchanged at 1.7% above the Bank of England base rate and has an annual renewal date of 22 December 2023.

Funding covenants to which the revolving credit facility is subject, are summarised below:

	Total Net Debt to EBITDA	Interest Cover Ratio	Fixed Charge Cover Ratio
Facility covenants	2.5 x	4 x	1.5x
31 December 2022	0.1x	60.8x	46.1x
31 December 2021	0.0 x	172.9 x	104.4 x

Asset Carrying Value Review

The Group performs an annual review of the expected earnings of acquired stores and considers whether the associated goodwill and other property, plant and equipment values require an impairment as required by accounting standards. The Group has also considered whether its right-of-use assets (property leases) are fairly valued. A fair value reversal of £0.3m (2021: reversal of £0.2m) has been applied in respect of its right-of-use-assets.

Return on Equity

The Group had average net asset value over the course of 2022 of £150.4m (2021: £135.6m) and reported profit after tax of £14.9m (2021: £6.0m), representing a post-tax return on equity of 9.9% (2021: 4.4%). At the time of the recent capital raise, the Group set a target to achieve a sustainable post-tax ROE % in the mid-teens, and is committed to achieving this objective.

Going Concern

The Board has assessed the impact of appropriate scenarios and believes that it has sufficient committed funding facilities available to meet the anticipated needs of the business. The Group has prepared the financial statements on a going concern basis.

Share Price and EPS

The closing share price at 31 December 2022 was 480p (2021: 295p), with a market capitalisation of £210.5m (2021: £117.6m).

Basic earnings per share was 37.2p (2021: 20.8p excluding non-recurring expense item of £2.1m) and diluted earnings per share was 37.2p (2021: 20.8p excluding non-recurring expenses item of £2.1m). Net asset value per share was £374.3p (2021: 342.7p).

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £'000	2021 £'000
Continuing operations:			
Revenue	2	173,941	121,995
Cost of sales		(72,025)	(45,640)
Gross profit	2	101,916	76,355
Other direct expenses		(59,535)	(46,251)
Administrative expenses		(21,828)	(18,904)
Recurring operating profit		20,553	11,200
Non-recurring expenses		-	(2,099)
Operating profit		20,553	9,101
Investment revenues		-	8
Finance costs	3	(1,548)	(1,247)
Profit before taxation		19,005	7,862
Tax charge on profit	4	(4,093)	(1,818)
Profit for the financial year and total comprehensive income		14,912	6,044
Earnings per share from continuing operations			
		2022 Pence	2021 Pence
Basic	5	37.16	15.43
Diluted	5	37.15	15.43

All profit for the year is attributable to equity shareholders.

**GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
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 paid	-	-	-	(3,986)	(3,986)
At 31 December 2021	1,993	33,486	(35)	101,174	136,618
At 1 January 2022	1,993	33,486	(35)	101,174	136,618
Accumulated dividends waived by the EBT	-	-	-	569	569
Profit for the year	-	-	-	14,912	14,912
Total comprehensive income	-	-	-	14,912	14,912
Issue of share capital	200	15,937	-	-	16,137
Share option movement	-	-	1	974	975
Dividends	-	-	-	(5,092)	(5,092)
At 31 December 2022	2,193	49,423	(34)	112,537	164,119

**GROUP BALANCE SHEET
AS AT 31 DECEMBER 2022**

	Note	31 December 2022 £'000	31 December 2021 £'000
Non-current assets			
Goodwill		20,969	19,330
Other intangible assets		6,368	1,892
Property, plant and equipment		13,045	11,101
Right-of-use assets		18,991	17,400
Deferred tax assets		251	1,726
		59,624	51,449
Current assets			
Inventories		35,469	28,421
Trade and other receivables		104,046	72,449
Cash and cash equivalents		12,229	17,638
		151,744	118,508
Total assets		211,368	169,957
Current liabilities			
Trade and other payables		(9,097)	(10,154)
Lease liability		(3,743)	(3,191)
Current tax liability		(937)	(375)
		(13,777)	(13,720)
Net current assets		137,967	104,788
Non-current liabilities			
Borrowings		(15,000)	-
Lease liabilities		(16,326)	(15,792)
Long term provisions		(2,146)	(3,827)
		(33,472)	(19,619)
Total liabilities		(47,249)	(33,339)
Net assets		164,119	136,618
EQUITY			
Share capital	8	2,193	1,993
Share premium account		49,423	33,486
Employee Benefit Trust share reserve		(34)	(35)
Retained earnings		112,537	101,174
Total equity attributable to equity holders		164,119	136,618

The financial statements of H&T Group Plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 6 March 2023.

They were signed on its behalf by:

C D Gillespie
Chief Executive

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £'000	2021 £'000
Net cash utilised from operating activities	6	(13,246)	(3,035)
Investing activities			
Interest received		-	8
Proceeds on disposal of right-of-use assets		56	-
Purchases of intangible assets		(2,808)	(158)
Purchases of property, plant and equipment		(4,582)	(5,231)
Acquisition of subsidiary		(3,759)	-
Acquisition of trade and assets of businesses		(372)	-
Acquisition of right-of-use assets		(6,676)	(4,081)
Net cash used in investing activities		(18,141)	(9,462)
Financing activities			
Dividends paid		(5,092)	(3,986)
Increase in borrowings		15,000	-
Debt restructuring costs		(101)	(332)
Proceeds on issue of shares (net of costs)		16,137	-
Employee Benefit Trust		34	-
Net cash used in financing activities		25,978	(4,318)
Net decrease in cash and cash equivalents		(5,409)	(16,815)
Cash and cash equivalents at beginning of the year		17,638	34,453
Cash and cash equivalents at end of the year		12,229	17,638

Notes to the Preliminary Announcement

For the year ended 31 December 2022

1. Finance information and significant accounting policies

The financial information has been abridged from the audited financial statements for the year ended 31 December 2022.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 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 2023.

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;
- Foreign exchange;
- 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. 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 2022 returns were 6.5% (2021: 7.1%)

Pawnbroking scrap and gold purchasing

Scrap revenue comprises proceeds from gold scrap sales, jewellery items and watches . Revenue is recognised when control of the goods has transferred, being at the point the smelter purchases the relevant metals or the items are sold or auctioned.

Personal loans interest income

This comprises income from the Group's former unsecured lending activities. All unsecured lending ceased in early 2022. 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.

Foreign exchange

The foreign exchange currency service where the Group earns a margin when selling or buying foreign currencies.

Other services

Other services comprise revenues from third party cheque cashing, foreign exchange income, money transfer income, watch repair income 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. Repair income is recognised when the repair has been completed.

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 in 2021 under the Covid-19 support schemes, 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, before loan and pawnbroking impairments.

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.

Inventory stock provisions

Where necessary provision is made for obsolete, slow moving, damaged goods or inventory shrinkage. The provision for obsolete, slow moving, and damaged inventory represents the difference between the cost of the inventory and its net realisable 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

For reporting purposes, the Group is currently organised into seven segments – pawnbroking, gold purchasing, retail, pawnbroking scrap, personal loans, foreign exchange and other services. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, who are the chief operating decision-makers. The Board of Directors are responsible for allocating resources and assessing performance of the operating segments and has been identified as the steering committee that makes strategic decisions.

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 1.5% and 9.99%. The contract is governed by the terms of the Consumer Credit Act 2008. 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 an 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 former unsecured lending activities. All unsecured lending ceased in early 2022. Personal loan revenues are stated at amortised cost after taking into consideration an assessment on a forward-looking basis of expected credit losses.

Foreign exchange:

The foreign exchange currency service where the Group earns a margin when selling or buying foreign currencies.

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.
- Money Transfer commission earned on the Group's money transfer service.
- Watch repair services provided by Group company, Swiss Time Services Limited

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.

2022	Pawnbroking	Gold purchasing	Retail	Pawnbroking Scrap	Personal Loans	Foreign Exchange	Other services	Other income	Total
Other information	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital additions (*)	-	-	-	-	-	-	-	9,464	9,464
Depreciation, amortisation and impairment (*)	-	-	-	-	-	-	-	9,248	9,248
Balance sheet									
Assets									
Segment assets	100,732	1,698	32,935	836	722	3,595	-	-	140,518
Unallocated corporate assets								52,138	52,138
Total assets									211,368
Liabilities									
Segment liabilities	-	-	(650)	-	-	-	(405)	-	(1,055)
Unallocated corporate liabilities								(46,194)	(46,194)
Total liabilities									(47,249)

2021	Pawnbroking	Gold purchasing	Retail	Pawnbroking Scrap	Personal Loans	Foreign Exchange	Other services	Other income	Total
Other information	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	3,051	3,146	-	-	101,480
Unallocated corporate assets								50,337	50,337
Total assets									169,957
Liabilities									
Segment liabilities	-	-	(878)	-	-	-	(220)	-	(1,098)
Unallocated corporate liabilities								(32,241)	(32,241)
Total liabilities									(33,339)

(*) 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 is detailed below:

	2022	2021
	£'000	£'000
United Kingdom	171,237	120,278
Other	2,704	1,717
	<u>173,941</u>	<u>121,995</u>

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

3. Financing Costs

	2022	2021
	£'000	£'000
Interest on bank loans	486	102
Other interest	2	1
Interest expense on the lease liability	873	950
Amortisation of debt issue cost	187	194
Total interest expense	<u>1,548</u>	<u>1,247</u>

4. Tax Charge on Profit

(a) Tax on profit on ordinary activities

	2022	2021
	£'000	£'000
Current tax		
United Kingdom corporation tax charge at 19% (2021: 19%) based on the profit for the year	3,441	1,738
Adjustments in respect of prior years	(643)	(973)
Total current tax	<u>2,798</u>	<u>765</u>
Deferred tax		
Timing differences, origination and reversal	1,152	453
Adjustments in respect of prior years	313	1,240
Effect of change in Tax rate	(170)	(640)
Total deferred tax	<u>1,295</u>	<u>1,053</u>
Tax charge on profit	<u>4,093</u>	<u>1,818</u>

(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% (2021: 19%). The differences are explained below:

	2022	2021
	£'000	£'000
Profit before taxation	19,005	7,862
Tax charge on profit at standard rate	3,610	1,494
Effects of:		
Disallowed expenses and non-taxable income	271	547
Non-qualifying depreciation	(80)	39
Effect of change in tax rate	(170)	(640)
Movement in short-term timing differences	792	112
Adjustments to tax charge in respect of prior years	(330)	266
Tax charge on profit	4,093	1,818

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 £435,000 (2021: released from equity £41,000).

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 2022			Year ended 31 December 2021		
	Earnings	Weighted average number of shares	Per-share amount	Earnings	Weighted average number of shares	Per-share amount
	£'000	£'000	pence £'000	£'000	£'000	pence £'000
Earnings per share: basic	14,912	40,132,753	37.16	6,044	39,162,612	15.43
Effect of dilutive securities						
Options and conditional shares	-	14,807	(0.01)	-	-	-
Earnings per share: diluted	14,912	40,147,560	37.15	6,044	39,162,612	15.43

6. Notes to the Cash Flow Statement

	2022 £'000	2021 £'000
Profit for the year	14,912	6,044
Adjustments for:		
Investment revenues	-	(8)
Financing costs	1,548	1,247
(Decrease)/Increase in provisions	(1,680)	2,178
Income tax expense	4,093	1,818
Depreciation of property, plant and equipment	3,223	2,666
Depreciation of right-of-use assets	5,303	5,071
Amortisation of intangible assets	786	995
Right-of-use asset impairment	(255)	(179)
Share based payment expense	539	55
Loss on disposal of property, plant and equipment	3	38
Loss on disposal of right-of-use assets	37	3
Operating cash inflows before movements in working capital	28,509	19,928
Increase in inventories	(6,693)	(857)
Decrease in other current assets	-	1
Increase in receivables	(30,684)	(15,574)
Decrease in payables	(744)	(2,009)
Cash generated from operations	(9,612)	1,489
Income taxes paid	(2,230)	(3,349)
Interest paid on loan facility	(531)	(225)
Interest paid of lease liability	(873)	(950)
Net cash from operating activities	(13,246)	(3,035)

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

	2022	2021
	£'000	£'000
Operating profit	20,553	9,101
(i) Depreciation of the right-of-use assets	5,303	5,071
(ii) Depreciation and amortisation- other	4,009	3,660
(iii) Impairment of the right-of-use-assets	(255)	(179)
EBITDA	29,610	17,653

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

	2022	2021
	£'000	£'000
Issued, authorised and fully paid:		
43,850,484 (2021: 39,864,077) ordinary shares of £0.05 each	2,193	1,993

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

The Group issued share capital amounting to £199,000 (2021: £nil) during the year. Associated share premium of £15,888,000 (2021: £nil) was created.