8 August 2023

H&T Group PLC ("H&T" or "the Group" or "the Company")

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 interim results for the six months ended 30 June 2023 ("the period").

Highlights

- Profit before tax increased by 31% to £8.8m (H1'2022: £6.7m), as continued momentum in our core pawnbroking business provides a robust revenue and profit foundation for the remainder of the financial year.
- The pledge book grew 14% to £114.6m (December 2022: £100.7m; June 2022: £85.1m) with demand for pledge lending remaining at record levels. Gross lending grew 22% to £128m (H1'2022: £105m).
- Retail sales increased 11% to £23.0m (H1'2022: £20.8m) with online originated sales at record levels and representing 23% (H1'2022: 14%) of total sales value. Retail margins reduced as expected to 28% (H2'2022: 37%; H1'2022: 42%) as the Group chose to prioritise stock turnover, particularly of some high value watch brands. Margin compression was substantially offset by increased scrap profits. Price increases have been implemented and margins are expected to rise in the second half.
- Foreign currency transaction volumes increased 19%, with net income up 12% to £2.9m (H1'2022: £2.6m). Momentum is building into the peak summer months, supported by the launch of our 'Click and Collect' service in June.
- Net Asset Value of £166.8m (December 2022: £164.1m), backed by assets of high intrinsic value.
- Net Debt of £17.1m (December 2022: £2.8m). Funding facilities and the recent equity raise have been deployed primarily to fund the growing pledge book, increased inventory and investment in the store portfolio.
- Post period, funding facilities increased to £50m in July (previously £35m) on attractive terms and with no change to existing covenants.
- Interim dividend increased 30% to 6.5p per share (2022 interim dividend: 5p per share), reflecting the Board's growing confidence in the future prospects for the Group.

Chris Gillespie, H&T chief executive, said:

“Following the capital raise in October 2022, we set out our plan for increased investment in the Group’s operational capabilities and store portfolio to capitalise on the growth opportunity presented to the Group in the medium term. I am delighted with the progress we have made and the momentum with which we enter the busy second half of the year.

We are mindful of the impact upon our employees, suppliers and stakeholders of persistent inflation and rising interest rates. H&T is not immune to these factors, which have resulted in operating costs being higher than previously envisaged. However, much of this cost inflation is now factored into the cost run rate. We expect a lower level of cost inflation in the second half of the year which, alongside the growing revenue momentum of the business, puts us on track to deliver record profits in 2023.

I am extremely proud of the H&T team, wherever they work across the Group. They deliver outstanding levels of service to our customers. They are, and will always be, our greatest asset and I thank them for everything they do for H&T, our customers and stakeholders.”

Financial Highlights (£m unless stated) 6 months ended 30 June	2023	2022	Change %	*FY 2022*
Reported Profit before Tax	£8.8m	£6.7m	31.3%	*£19.0m*
Reported Diluted EPS (p)	16.3p	13.1p	24.4%	*37.2p*
Dividends per share	6.5p	5.0p	30.0%	*15.0p*
Net assets	£166.8m	£139.1m	19.9%	*£164.1m*
Key Performance Indicators				
Net Pledge book	£114.6m	£85.1m	34.7%	*£100.7m*
Net Pawnbroking revenue	£32.4m	£22.9m	41.5%	*£51.0m*
Retail sales	£23.0m	£20.8m	10.6%	*£45.2m*
online sales	*23%*	*14%*		*13%*
new jewellery sales	*18%*	*18%*		*22%*
gross margin	*28%*	*42%*		*39%*
Foreign Exchange revenue	£2.9m	£2.6m	11.5%	*£5.7m*
Number of stores	273	261		*267*

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INTERIM REPORT

Overview

The first half of 2023 has been a period of significant progress, with growth delivered across the core product set, customer segments, and in all geographies. The Group delivered profit before tax of £8.8m (H1’2022: £6.7m). Rising demand for H&T’s core products, and continued momentum in our pawnbroking business provides a robust revenue foundation for the remainder of the financial year.

We added eight new stores in the first half, with two closures, taking the number of stores to 273 (H1’2022: 261). Further store openings are in course for the remainder of the year and beyond. We have increased the pace of the rolling refurbishment programme for our current store estate, as planned, with 35 stores having been refreshed so far this year. In May, we opened a second facility at our jewellery centre to support increased jewellery and watch processing capacity.

We are continuing the implementation of our new core IT platform. Phase one deployment to all stores was completed in 2022, as planned. Further functionality enhancements have been, and will continue to be deployed through 2023. The programme has now begun work on phase 2, which will see the system implemented across the wider business through the remainder of 2023 and 2024.

Financial Results

The Group delivered profit before tax up 31% to £8.8m (H1’2022: £6.7m).

The Pawnbroking and Retail segments continue to be the major contributors to performance, supported by growing demand for our foreign currency service and strong scrap profits.

The Group’s balance sheet remains strong with net assets of £166.8m (December 2022: £164.1m). The balance sheet is underpinned by the inherent value, expressed at cost, of precious metals – mainly gold and watches – in the form of collateral for the pledge book and inventory, and cash holdings.

Inventories increased to £37.5m (December 2022: £35.5m) having peaked at over £40m in April. The value of watches in the course of repair as at 30 June 2023 was c.£4m (December 2022: c.£4m), as a result of continued high volumes and ongoing watch parts supply pressures, which are evident across the watch industry. We took action to reduce inventory levels, in particular of certain higher value watch brands, where we identified changes to the sentiment of some customers towards values. Overall, demand for high quality pre-owned watches remains high.

Retail inventory available for sale in stores as at 30 June had reduced to £23m at cost (December 2022: £25m; June 2022: £23m). We continue to refine our approach to retail stock allocation across the store estate to better meet demand and customer preferences.

We have invested in increased capacity at our jewellery centre and in May we opened a second facility adjacent to the existing site. This increase in capacity will support our growing business by improving jewellery processing efficiency, which we anticipate will accommodate growing future processing volumes . Processing volumes increase as the pledge book grows and matures, resulting in the volume of items released for retail sale or scrap which require processing, rising commensurately.

At 30 June 2023 the Group had net debt of £17.1m (December 2022: £2.8m). Funding facilities have been deployed primarily to fund the growing pledge book, increased inventory and investment in the store portfolio. Increased usage of the Group's funding facilities coupled with rising interest rates, resulted in higher financing costs of £0.7m (H1'2022: £0.1m) for the period.

Direct and administration expenses increased by 12% to £45.0m (H1'2022: £40.3m). Impairment charges expressed under IFRS9, are included in these expenses. Operating expenses rose 19%. The Group is primarily a fixed and volumetric cost business. Close cost control continues to be a priority at a time of persistent inflationary pressures. Employee related costs, which account for approximately 59% of total operating costs, increased by 21% year on year. This reflects the combined impact of an increase in employee numbers over the past 12 months from 1,423 to 1,637, including 43 Swiss Time Services employees who joined the Group in July 2022, and the impact of pay increases.

We are acutely aware of the impact of inflation on our employees. Ensuring they are appropriately rewarded is a priority, with pay reviews implemented in April 2022, and again in January 2023, ahead of the April 2023 implementation of the updated National Living Wage, which increased by 9.7%. Salary costs are not expected to increase significantly in the second half of the year.

Recent months have seen a higher propensity for third party suppliers to pass on above inflation price increases. We believe that the majority of 2023's price rises are now factored into the cost run rate, which will result in the rate of cost inflation for the full year being lower than that experienced in the first half.

We continue to be able to negotiate improved leasehold occupancy terms upon lease renewal. The Group fixed its energy costs in December 2021 until the end of 2023, and has recently extended the contract further until the end of 2025, on similar terms.

During the development and deployment phases of our new core IT platform, we are continuing to maintain the outgoing platform, known as NEO, in parallel. NEO is expected to be progressively decommissioned from 2024, until which time incremental IT infrastructure costs are being incurred to the extent of c.£0.6m per annum.

Review of Operations

Pawnbroking

Pledge lending remains the Group's core business, contributing 37% (H1'2022: 39%) to total revenue, whilst gross lending grew 22% to £128m (H1'2022: £105m). Demand for pledge lending continued to gather momentum during the first half of 2023, as customers' increasing need to access small sums of short-term credit comes at a time of reduced market supply following the departure of several firms from the unsecured lending market. Demand for lending has been growing consistently through the period, across all customer segments and all geographies.

The pledge book grew 14% to £114.6m (December 2022: £100.7m; June 2022: £85.1m). A higher than expected level of redemptions in the months of April and May did not continue into June. Strong growth was experienced in the second half of May and in June.

Net Revenue amounted to £32.4m (H1'2022: £22.9m), an increase of 42% on the prior year with an annualised risk adjusted margin of 60% (H1'2022: 61%).

Redemption rates remain above historic levels, at c.85% and have been consistent at this level for more than two years. Average loan duration remains shorter than historic norms at 97 days (December 2022: 97 days; long run average 108 days) as customers choose to repay their loans early when they are able to do so.

We have seen modest increases in the average loan size in the first half. Mean pledge lending value was £423 (December 2022: £405) and median pledge lending value was £200 (December 2022: £185). Average Loan to Value ratio has remained at c.65%.

Pawnbroking summary

6 months ended 30 June	2023 £'m	2022 £'m	Change %	*FY 2022 £m*
Net pledge book – note 1	£114.6	£85.1	34.7%	*£100.7*
Average net pledge book	£107.7	£77.1	39.7%	*£83.8*
Net revenue	£32.4	£22.9	41.5%	*£51.0*
Annualised risk adjusted margin - note 2	60.2%	61.4%		*60.9%*

Notes:

1 Includes accrued interest and impairment

2 Net revenue (after impairment charge) expressed on an annualised basis as a percentage of the average net pledge book over the previous 6 or 12 months as applicable

Retail

H&T is a leading retailer of high quality pre-owned jewellery and watches. We also offer customers an expanding range of new jewellery items. Our retail offering is available across all channels, both in physical stores and increasingly via our digital platforms.

Retail sales for H1'2023 grew by 11% to £23.0m (H1'2022: £20.8m), which generated profits of £6.3m (H1'2022: £8.7m). Margins reduced as expected to 28% (H2'2022: 37% and H1'2022: 42%). The reduction year on year primarily reflects the change in sales mix within and between new and pre-owned products, and the impact of action taken to reduce inventory levels, in particular of certain higher value watch brands, where we identified changes to the sentiment of some customers towards values. Overall, demand for high quality pre-owned watches remains high.

Price rises have been implemented across the majority of our retail stocks and margins are expected to improve in the second half of the year.

Sales of pre-owned products represented 82% (H1'2022: 82%) of total sales by value. Supply of some pre-owned jewellery categories continues to be constrained, particularly 14ct and 22ct gold jewellery. This requires us to source higher volumes of new jewellery in substitution. We expect this dynamic to persist for the time being and ultimately to reverse as the strong recent pawnbroking pledge book growth reaches maturity.

Online originated sales are at record levels, following the investment into our online store, representing 23% (H1'2022: 14%) of total sales and generating income of £5.2m (H1'2022: £2.9m). Over half of these sales were viewed in store by the customer prior to completing their purchase.

The Group's strategic objective to improve our web capabilities and customer journey remains a priority. In July, the two websites were merged under a single H&T branded website, with the "est1897" brand decommissioned. Functionality has been improved and a major redevelopment of our online offering is planned.

Foreign Currency (FX)

Foreign currency transaction volumes are at record levels and increased 19% year on year, with net income up 12% to £2.9m (H1'2022: £2.6m). Momentum is building into the peak summer months, supported by the launch of our 'Click and Collect' service in June. In addition, we have broadened the range of currencies held in stock at store level, and available for immediate purchase. Average transaction size remains below historic levels at £398 (H1'2022: £406) evidencing, we believe, careful holiday budgeting by our customers.

Purchasing and Scrap

Purchasing

The Group purchases gold, jewellery, and watches from customers. The prevailing gold price has a direct impact on gold purchasing as it affects customer demand. The gold price has been elevated since March 2022. The average gold price per troy ounce during the period was £1,566 (H1'2022: £1,445) and coupled with the impact of inflation on customers disposable income, we have seen a 44% increase in purchase values year on year. Some of this volume is yet to be processed and is currently held in inventory at cost.

Purchasing scrap contributed net revenue of £4.2m (H1'2022: £2.8m) on sales of £21.8m (H1'2022: £15.1m). The gross margin was consistent year on year at 19%.

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. Some of this volume is yet to be processed and is currently held in inventory.

The gross value of pawnbroking scrap sales to June 2023 was £14.6m (H1'2022: £7.1m) with gross margin of £2.6m (H1'2022: £1.4m). Margins remained broadly consistent at 18% (H2'2022: 18%; H1'2022: 20%).

<u>*Other Services*</u>

Money Transfer

Revenues reduced to £0.6m (H1'2022: £0.8m) on lower overall transaction volumes, in particular transfers to and from Romania. Customer numbers are broadly consistent, but they have been transferring funds less often. Money transfer continues to be a major driver of footfall to our stores, and represents an opportunity for colleagues to bring customers' attention to our wider service offerings.

Cheque Cashing

Volumes of cheques cashed have normalised following the short-term increase in cheque issuance during 2022 by local authorities and government departments in respect of cost-of-living support payments, which has now ceased. Revenue earned reduced to £0.4m (H1'2022: £0.5m). Overall contribution remains modest as the use of cheques in the UK economy is in long term decline.

Personal Lending

The Group no longer offers an unsecured lending product and all lending ceased in early 2022. The unsecured loan book has since continued to receive payments, and corresponding impairment provisions have been released. The outstanding loan book has reduced to £0.3m (H1'2022: £1.8m) with revenues earned reducing to £0.5m (H1'2022: £1.2m) 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 both our product offering and all our geographies, as well as online. Our focus is to ensure the Group is well positioned to take advantage of these growth opportunities. As such our priorities are:

Store Estate

We believe that our stores, and our outstanding people, are and will remain the heart of our business. There are further opportunities to expand the geographic coverage of our store network and we continue to invest, both in new store openings and in refreshing existing stores. We added eight (H1'2022: four) new stores in the first half of the year, with two closures, bringing the total number of stores to 273 (H2'2022: 267; H1'2022: 261). We have a list of locations where we would like to open new stores. 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 system, known as EVO, was successfully deployed across the store network in the second half of 2022. Further functionality enhancements are being deployed throughout 2023. This 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. Phase 2 of the development will bring the new system to our jewellery centre, which along with additional capacity, is expected to significantly improve efficiency.

We will continue to improve and enhance our online presence. In July, the two websites have been merged under a single H&T branded website, with the "est1897" brand decommissioned. Functionality has been improved and a major redevelopment of our online offering is planned. We intend to continue to make it easier for customers to do business with us through whatever channel they choose.

Funding a Growing Business

In September 2022, we received support for our growth ambitions from both existing and new shareholders, enabling us to raise growth capital amounting to £16.9m gross. These proceeds have been deployed primarily to fund the growth in the pledge book, increased inventory and investment in the store portfolio.

In July 2023, we were pleased to receive the further support of our bankers in the form of an increase to our available funding facility, which has been increased to £50m (previously £35m) on attractive terms and with no change to existing covenants. The facility comprises a combination of a £45m revolving credit facility expiring in December 2025, with the option to extend for a period of up to two further years, and a £5m overdraft facility, and will be utilised to fund further growth in the pledge book and investment in the store portfolio.

The revolving credit facility is subject to revised margins of between 2.4% and 3.3% (previously 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 overdraft margin is unchanged at 1.7% above the Bank of England base rate and has an annual renewal date in December.

Environmental, Social and Governance

Peter McNamara stepped down from the Board at the end of March 2023 after 17 years as a Director of H&T, including over 14 years as Chair. Simon Walker, who joined the Board as a non-Executive Director in September 2022 became Chair of the Group on 1 April 2023.

Since his appointment, Simon has made significant progress in evolving the Group's governance structure and broadening the range of skills, experiences and diversity around the Board table. Four new non-Executive Directors joined the Board on the 1 July 2023, and we are delighted to welcome Robert van Breda, Lawrence Guthrie, Catherine Nunn and Sally Veitch to the Group. These appointments will support the Group's longer term growth plans.

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 pillars 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 environment and sustainable benefits of pre-owned jewellery and watches with particular emphasis on minimising waste and promoting re-use.

Macro-Economic Environment

We see the trading environment in the near term being positive across the product range.

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. Demand is expected to remain robust for the remainder of the year, supported by 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, but also as a store of value which can be sold or used as collateral for a future pledge loan if their circumstances change. Price increases have been implemented across the majority of our retail stocks. Accordingly, margins in retail are expected to normalise as, in the first half of the year, we focused on stock turnover rather than margin for tactical reasons.

Foreign Currency

We expect increasing demand for foreign exchange services as overseas travel continues to grow. With increased focus, the introduction of our 'Click and Collect' service in June and the expansion of the range of currencies offered, we 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, the impact of persistent inflation and higher interest rates. We are mindful of the impact of the combination of these economic factors on all our stakeholders. H&T is primarily a fixed and volumetric cost business. Close cost control and operating efficiencies have and will remain a key management focus. However, the Group has experienced higher than expected cost inflation, as third-party suppliers pass on pricing increases. We believe that the majority of 2023's cost increases are now in the cost run rate, which will result in the rate of cost inflation for the full year being lower than that experienced in the first half.

We are acutely aware of the impact of inflation on our employees. Ensuring they are appropriately rewarded will remain a priority. However, salary costs are not expected to increase significantly in the second half of the year.

Dividend

The Board has approved an increased interim dividend of 6.5p per share (2022 interim dividend: 5.0p per share), reflecting growing confidence in the future prospects of the Group whilst adhering to the stated progressive dividend policy and maintenance of at least two times cover. The dividend will be paid on 6 October 2023 to shareholders on the share register at the close of business on 8 September 2023.

Interim Condensed Financial Statements

UNAUDITED CONDENSED CONSOLIDATED GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 30 JUNE 2023

	Note	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Revenue	2	101,687	77,756	173,941
Cost of sales		(46,670)	(30,070)	(72,025)
Gross profit	2	**55,017**	**47,686**	**101,916**
Other direct expenses		(32,558)	(29,470)	(59,535)
Impairment charge (included in the figure above)		*(4,877)*	*(6,703)*	*(11,756)*
Administrative expenses		(12,489)	(10,866)	(21,828)
Operating profit		**9,970**	**7,350**	**20,553**
Investment revenue		19	-	-
Finance costs	3	(1,239)	(631)	(1,548)
Profit before taxation		**8,750**	**6,719**	**19,005**
Tax charge on profit	4	(1,714)	(1,571)	(4,093)
Profit for the financial period and total comprehensive income		**7,036**	**5,148**	**14,912**

Earnings per share from continuing operations		**Pence**	**Pence**	**Pence**
Earnings per ordinary share - Basic	5	16.26	13.15	37.16
Earnings per ordinary share - Diluted	5	16.26	13.14	37.15

All profit for the periods are attributable to equity shareholders. The accompanying notes on pages 16 to 25 form part of these interim condensed financial statements.

UNAUDITED CONDENSED CONSOLIDATED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 JUNE 2023

	Note	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Opening total equity		164,119	136,618	136,618
Accumulated dividends waived by the Employment Benefit Trust		-	-	569
Total comprehensive income for the period		7,036	5,148	14,912
Issue of share capital		7	-	16,137
Share option movement		10	481	975
Dividends paid	10	(4,399)	(3,133)	(5,092)
Closing total equity		**166,773**	**139,114**	**164,119**

UNAUDITED CONDENSED CONSOLIDATED GROUP BALANCE SHEET
AS AT 30 JUNE 2023

	Note	30 June 2023	30 June 2022	31 December 2022
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Non-current assets				
Goodwill		21,233	19,341	20,969
Other intangible assets		6,759	3,630	6,368
Property, plant and equipment		14,707	11,955	13,045
Right-of-use assets		18,164	16,973	18,991
Deferred tax assets		35	1,481	251
		60,898	53,380	59,624
Current assets				
Inventories		37,538	36,090	35,469
Trade and other receivables		119,214	90,522	104,046
Cash and bank balances		12,859	12,711	12,229
		169,611	139,323	151,744
Total assets		**230,509**	**192,703**	**211,368**
Current liabilities				
Borrowings	8	-	(6,343)	-
Trade and other payables		(12,399)	(9,491)	(9,097)
Lease liability		(6,217)	(5,768)	(3,743)
Current tax liabilities		(343)	(1,094)	(937)
		(18,959)	(22,696)	(13,777)
Net current assets		**150,652**	**116,627**	**137,967**
Non-current liabilities				
Borrowings	8	(30,000)	(15,000)	(15,000)
Lease liabilities		(12,828)	(12,530)	(16,326)
Long term provisions		(1,949)	(3,363)	(2,146)
		(44,777)	(30,893)	(33,472)
Total liabilities		(63,736)	(53,589)	(47,249)
Net assets		**166,773**	**139,114**	**164,119**
EQUITY				
Share capital	9	2,200	1,993	2,193
Share premium account		49,423	33,486	49,423
Employee Benefit Trust share reserve		(31)	(23)	(34)
Retained earnings		115,181	103,658	112,537
Total equity attributable to equity holders		**166,773**	**139,114**	**164,119**

UNAUDITED CONDENSED CONSOLIDATED GROUP CASH FLOW STATEMENT
FOR THE 6 MONTHS ENDED 30 JUNE 2023

	Note	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Net cash utilised from operating activities	6	(2,447)	(15,563)	(13,246)
Investing activities				
Interest received		19	-	-
Proceeds on disposal of right-of-use assets		-	-	56
Proceeds on disposal of property, plant and equipment		1	-	-
Purchases of intangible assets		(427)	(993)	(2,808)
Purchases of property, plant and equipment		(3,275)	(4,547)	(4,582)
Acquisition of subsidiary		-	-	(3,759)
Acquisition of trade and assets of businesses		(1,842)	(47)	(372)
Acquisition of right-of-use assets		(1,994)	(1,987)	(6,676)
Net cash used in investing activities		(7,518)	(7,574)	(18,141)
Financing activities				
Dividends paid		(4,399)	(3,133)	(5,092)
Increase in borrowings		15,000	15,000	15,000
Debt restructuring costs		(13)	-	(101)
Increase in overdraft		-	6,343	-
Proceeds on issue of shares (net of costs)		7	-	16,137
Employee Benefit Trust		-	-	34
Net cash used in financing activities		10,595	18,210	25,978
Net decrease in cash and cash equivalents		**630**	**(4,927)**	**(5,409)**
Cash and cash equivalents at beginning of the period		12,229	17,638	17,638
Cash and cash equivalents at end of the period		**12,859**	**12,711**	**12,229**

Unaudited notes to the Condensed Consolidated Interim Financial Statements

For the 6 months ended 30 June 2023

1. Finance information and significant accounting policies

The condensed consolidated Group interim financial statements of the Group for the six months ended 30 June 2023, which are unaudited, have been prepared in accordance with the International Financial Reporting Standards ('IFRS') accounting policies adopted by the Group and set out in the annual report and accounts for the year ended 31 December 2022. The Group does not anticipate any change in these accounting policies for the year ended 31 December 2023. As permitted, this interim report has been prepared in accordance with the AIM rules but not in accordance with IAS 34 "Interim financial reporting". While the financial figures included in this preliminary interim earnings announcement have been computed in accordance with IFRS's applicable to interim periods, this announcement does not contain sufficient information to constitute an interim financial report as that term is defined in IFRS.

The financial information contained in the interim report also does not constitute statutory accounts for the purposes of section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2022 is based on the statutory accounts for the year ended 31 December 2022. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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 purchasing;
- Foreign exchange 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 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 or online. 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 H1'2023 returns were 8% (H1'2022: 7%).

Pawnbroking scrap and Purchasing

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

Foreign exchange

The foreign exchange currency service where the Group earns a margin when selling or buying foreign currencies. Income is recognised at the time of the transaction as this is when control of the goods has transferred.

Other services

Other services comprise revenues from personal loan interest income, third party cheque cashing, money transfer income, watch repair income, and other income. Commission receivable on cheque cashing, money transfer, and other income is recognised at the time of the transaction as this is when control of the goods has transferred. Watch 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.

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 store estate, support functions and operational centres 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 provisioning

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

Business segments

For reporting purposes, the Group is currently organised into six segments – pawnbroking, retail, purchasing, pawnbroking scrap, 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, c.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 1.99% 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.

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.

Purchasing:

Jewellery and watches are bought directly from customers through all 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. Purchasing revenues comprise proceeds from scrap sales on goods sourced from the Group's purchasing operations.

Pawnbroking scrap:

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

Foreign exchange:

The foreign exchange currency service offers the selling and buying of foreign currency where the Group earns a margin on the transaction.

Other services:

This segment comprises:

- Personal loans 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.
- 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. Cheque cashing is subject to bad debt risk which is reflected in the commissions and fees applied.
- Money transfer commission earned on the Group's money transfer service.
- Watch repair services provided by the Group company, Swiss Time Services Limited.

Segment information for these businesses is presented below:

6 months ended 30 June 2023	Pawnbroking	Retail	Purchasing	Pawnbroking Scrap	Foreign Exchange	Other Services	Total
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
External revenue	37,686	22,953	21,757	14,595	2,855	1,841	101,687
Total revenue	**37,686**	**22,953**	**21,757**	**14,595**	**2,855**	**1,841**	**101,687**
Gross profit	**37,686**	**6,319**	**4,198**	**2,566**	**2,855**	**1,393**	**55,017**
Impairment	(5,258)	-	-	-	-	381	(4,877)
Segment result	**32,428**	**6,319**	**4,198**	**2,566**	**2,855**	**1,774**	**50,140**
Other direct expenses *							(27,681)
Administrative expenses							(12,489)
Operating profit							**9,970**
Interest receivable							19
Financing costs							(1,239)
Profit before taxation							**8,750**
Tax charge on profits							(1,714)
Profit before taxation							**7,036**

* Excluding impairment

6 months ended 30 June 2022	Pawnbroking	Retail	Purchasing	Pawnbroking Scrap	Foreign Exchange	Other Services	Total
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
External revenue	30,026	20,823	15,096	7,104	2,598	2,109	77,756
Total revenue	**30,026**	**20,823**	**15,096**	**7,104**	**2,598**	**2,109**	**77,756**
Gross profit	**30,026**	**8,693**	**2,836**	**1,424**	**2,598**	**2,109**	**47,686**
Impairment	(7,161)	-	-	-	-	458	(6,703)
Segment result	**22,865**	**8,693**	**2,836**	**1,424**	**2,598**	**2,567**	**40,983**
Other direct expenses *							(22,767)
Administrative expenses							(10,866)
Operating profit							**7,350**
Financing costs							(631)
Profit before taxation							**6,719**
Tax charge on profits							(1,571)
Profit before taxation							**5,148**

Year ended 31 December 2022	Pawnbroking	Retail	Purchasing	Pawnbroking Scrap	Foreign Exchange	Other Services	Total
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
External revenue	63,745	45,197	36,246	18,286	5,749	4,718	173,941
Total revenue	**63,745**	**45,197**	**36,246**	**18,286**	**5,749**	**4,718**	**173,941**
Gross profit	**63,745**	**17,778**	**6,815**	**3,468**	**5,749**	**4,361**	**101,916**
Impairment	(12,719)	-	-	-	-	963	(11,756)
Segment result	**51,026**	**17,778**	**6,815**	**3,468**	**5,749**	**5,324**	**90,160**
Other direct expenses *							(47,779)
Administrative expenses							(21,828)
Operating profit							**20,553**
Financing costs							(1,548)
Profit before taxation							**19,005**
Tax charge on profits							(4,093)
Profit before taxation							**14,912**

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.

3. Financing costs

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Interest payable on bank loans and overdraft	719	111	486
Other interest	1	-	2
Amortisation of debt issue costs	58	104	187
Interest on expense on the lease liability	461	416	873
Total financing costs	**1,239**	**631**	**1,548**

4. Tax charge on profit

The Group recognised an effective tax rate of 19.6% (H1’2022: 23.4%). This is lower than the standard blended UK statutory rate for the year of 23.5% due to timing differences and depreciation in excess of capital allowances.

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:

	Unaudited 6 months ended 30 June 2023			Unaudited 6 months ended 30 June 2022			Audited Year ended 31 December 2022		
	Earnings	**Weighted average number of shares**	**Per-share amount pence**	**Earnings**	**Weighted average number of shares**	**Per-share amount pence**	**Earnings**	**Weighted average number of shares**	**Per-share amount pence**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Earnings per share: basic	7,036	43,263,656	16.26	5,148	39,164,667	13.15	14,912	40,132,753	37.16
Effect of dilutive securities									
Options and conditional shares	-	-	-	-	6,889	(0.01)	-	14,807	(0.01)
Earnings per share: diluted	7,036	43,263,656	16.26	5,148	39,171,556	13.14	14,912	40,147,560	37.15

6. Notes to the Cash Flow Statement

	6 months ended 30 June 2023	6 months ended 30 June 2022	12 months ended 31 December 2022
	Unaudited £'000	Unaudited £'000	Audited £'000
Profit for the year	7,036	5,148	14,912
Adjustments for:			
Investment revenues	(19)	-	-
Financing costs	1,239	631	1,548
(Decrease)/Increase in provisions	(197)	(463)	(1,680)
Income tax expense	1,714	1,571	4,093
Depreciation of property, plant and equipment	2,032	1,483	3,223
Depreciation of right-of-use assets	2,866	2,415	5,303
Amortisation of intangible assets	423	389	786
Right-of-use asset impairment	-	-	(255)
Share based payment expense	252	262	539
Loss on disposal of property, plant and equipment	-	9	3
Loss on disposal of right-of-use assets	-	-	37
Operating cash inflows before movements in working capital	15,346	11,445	28,509
Increase in inventories	(2,070)	(7,653)	(6,693)
Increase in receivables	(14,024)	(18,024)	(30,684)
Increase /(decrease) in payables	1,724	(300)	(744)
Cash generated from operations	976	(14,532)	(9,612)
Income taxes paid	(2,336)	(400)	(2,230)
Interest paid on loan facility	(626)	(215)	(531)
Interest paid of lease liability	(461)	(416)	(873)
Net cash utilised from operating activities	(2,447)	(15,563)	(13,246)

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 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:

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Operating profit	9,970	7,350	20,553
Depreciation and amortisation	2,456	1,872	4,009
Depreciation of right-of-use assets	2,866	2,415	5,303
Impairment of the right-of-use assets	-	-	(255)
EBITDA	**15,292**	**11,637**	**29,610**

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. Borrowings

	6 months ended 30 June 2023 Unaudited £'000	6 months ended 30 June 2022 Unaudited £'000	12 months ended 31 December 2022 Audited £'000
Secured borrowing at amortised cost			
Bank loans and overdraft	-	6,343	-
Total borrowings due for settlement within one year	-	6,343	-
Long term portion of bank loan	30,000	15,000	15,000
Amount due for settlement after more than one year	**30,000**	**15,000**	**15,000**

9. Share capital

		At 30 June 2023 Unaudited	At 30 June 2022 Unaudited	At 31 December 2022 Audited
Allotted, called and fully paid				
(Ordinary Shares of £0.05 each)	£'000	2,200	1,993	2,193
Number of shares	Number	43,987,934	39,864,077	43,850,484

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

The Group issued share capital amounting to £7,000 during H1'2023 (H1'2022: nil). There was no share premium created.

10. Dividends

On 7 August 2023, the directors approved a 6.5 pence per share interim dividend (2022 interim dividend: 5.0 pence per share) which equates to a dividend payment of £2,819,000 (30 June 2022: £1,958,000). The dividend will be paid on 6 October 2023 to shareholders on the share register at the close of business on 8 September 2023 and has not been provided for in the 2023 interim results. The shares will be marked ex-dividend on 7 September 2023.