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

**PRELIMINARY RESULTS**

**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023**

***Significant progress in 2023, delivering record profits and strong growth***

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 2023 ("the period" or "the year").

**Highlights**

- Profit before tax of £26.4m (2022: £19.0m), up 39% year on year as the core pawnbroking business continued its sustained growth and contribution to profit. Profit after tax of £21.1m (2022: £14.9m), up 42% year on year.

- Growth in the pledge book of 28%, to end the year at a fair value of £129m (2022: £101m), as demand for pledge lending remains at record levels.

- Net revenue generated by the pledge book, up 36% to £69.5m (2022: £51.0m).

- Foreign currency profits of £6.3m (2022: £5.7m), up 11% year on year, with transaction volumes up 18% year on year.

- Retail jewellery and watch sales of £48.6m (2022: £45.2m), up 8% year on year. Margins were impacted by challenging trading conditions for certain watch brands in H1, and jewellery sales mix in H2, which includes the peak Christmas trading period.

- Diluted earnings per share of 48.5p (2022: 37.2p), up 31% year on year.

- Balance sheet remains strong with net asset value of £177m (2022: £164m), up 8% year on year. Net asset value per share of 403.3p (2022: 374.3p). Growth in pledge lending and capital expenditure has continued to utilise cash resources as expected. The Group ended the year with a net debt position of £32m (2022: £3m).

- Return on average equity of 12.4% (2022: 9.9%), up 25% year on year. The Group remains committed to delivering on its commitment to achieve a target ROE of mid-teens through- the-cycle.

- Proposed full year dividend of 17.0p (2022: 15.0p), up 13% year on year and in line with our stated progressive dividend policy, subject to maintaining cover of at least two times.

**Chris Gillespie, H&T chief executive, said:**

*"The Group has made significant progress in 2023, delivering record profits and strong growth in a challenging environment for both businesses and individuals.*

*Pawnbroking is our core business and is attracting increasing numbers of new customers. Throughout the year, we saw record demand for our pawnbroking service and this has continued into 2024, with January being a new record month for lending.*

*Whilst retail trading conditions, particularly in the fourth quarter, were challenging given pressure on customers' disposable incomes, sales increased year on year by 8% to £48.6m. Pleasingly, demand has remained robust in the early months of 2024. We believe the reasons for the strength of this demand include the growing attractiveness of buying pre-owned products, and the environmental and sustainability benefits this brings.*

*Throughout 2023 and in February 2024, we diversified and enhanced the Group's funding arrangements. Total funding facilities available to H&T currently amount to £85m, with current headroom available of c.£30m. This will support the future growth of the pledge book and investment in the store estate.*

*At H&T, customer service is at the heart of everything we do. Our colleagues across the Group go out of their way to put the customer first and I thank them all for their enthusiasm and commitment to the success of H&T.*

*With continued investment in scale and capabilities, along with growing 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."*

| Financial Highlights (£m unless stated) | 2023 | 2022 | Change |
|---|---|---|---|
| Profit before tax | £26.4m | £19.0m | 39% |
| Diluted EPS (p) | 48.5p | 37.2p | 31% |
| Dividends per share (p) | 17.0p | 15.0p | 13% |
| Net assets | £177m | £164m | 8% |
| | | | |
| **Key Performance Indicators** | | | |
| Net Pledge book | £129m | £101m | 28% |
| Net Pawnbroking revenue | £69.5m | £51.0m | 36% |
| Retail sales | £48.6m | £45.2m | 8% |
| *online sales* | *20%* | *13%* | |
| *new jewellery sales* | *25%* | *22%* | |
| *gross margin* | *30%* | *39%* | |
| Foreign exchange gross profit | £6.3m | £5.7m | 11% |
| Number of stores | 278 | 267 | +11 |

Enquiries

**H&T Group plc** +44(0)20 8225 2700
Chris Gillespie, Chief Executive Officer
Diane Giddy, Chief Financial Officer

**Shore Capital Ltd (Nominated Advisor and Broker)** +44(0)20 7408 4090

Stephane Auton/Iain Sexton (Corporate Advisory)
Guy Wiehahn/Isobel Jones (Corporate Broking)

**Alma PR (Public Relations)** +44(0)20 3405 0205
Sam Modlin handt@almastrategic.com
Andy Bryant
Rebecca Sanders-Hewett
Will Merison

**Chair's Report**

It gives me great pleasure to present my first report as the Chair of H&T. The opportunity to join a leading and progressive business in an industry which is uniquely positioned, is one that I am excited by. We expect that demand for pawnbroking will continue to grow as many consumers find it difficult to access mainstream financial services.

Throughout 2023, the Group has continued to make significant progress, delivering record profits and strong growth. Demand for our core pawnbroking product continues to rise and is attracting increasing numbers of customers who are new to pawnbroking. This performance would not have been possible without the hard work of our teams, and their depth of expertise and enthusiasm for the business. My thanks go to them all. In particular, Consumer Duty was implemented in line with the requirements of the Financial Conduct Authority, during the course of the year. This entailed a significant programme of work across the business, not least of which was a comprehensive training programme for our colleagues, and our employees they have embraced the new approach to some of our operational processes.

Since taking over the role of Chair from Peter McNamara in April 2023, it has been fantastic to work with such a great team at a time when the business has a strong platform for growth. I would like to thank Peter again, for all his contributions and guidance as he steered the business effectively through an ever-changing economic landscape over the last 14 years.

In addition to my appointment, in June we were delighted to build the breadth of expertise of the Board with the appointment of four new Non-Executive Directors; Robert van Breda, Lawrence Guthrie, Catherine Nunn and Sally Veitch. Their appointments have significantly progressed the Group's aim to evolve its governance structures by broadening the range of skills, experience and diversity around the Board table.

**The Year in Review**

2023 was a year in which we delivered on our well-planned strategy, notwithstanding challenging macroeconomic conditions; delivering value and service for our customers, growing the customer base, and continuing to invest in the business. Demand for our core pawnbroking product remains at record levels, across all geographies, with aggregate lending in 2023 amounting to £260m, an increase of 19%. The Group prides itself on the high quality of service delivered to customers through our 278 stores (2022: 267) and our centralised support functions. We added 12 new stores in 2023, relocated two stores and closed one store, and we have continued with the planned store refresh programme, with 50 stores completed in 2023. In addition, a second jewellery centre facility was opened mid-year. The implementation of our new core IT platform has continued at pace with phase two currently in development, and which will see the system implemented across the wider business.

To capitalise on the growth opportunity presented to the Group in the medium term, and to fund further growth in the pledge book and investment in the store portfolio, in July we were pleased to increase the financing facilities provided by our longstanding bankers, Lloyds Bank plc, to £50m (previously £35m). In November, Allica Bank Limited provided additional funding in the form of a £10m term facility and, post period-end, we were delighted to further diversify the sources and maturity profile of the Group's funding arrangements with £25m of additional term financing from Pricoa Private Capital. These arrangements will allow us to continue to grow our business whilst serving and supporting even more customers.

Post period-end, we were delighted to complete the acquisition of the pawnbroking and foreign currency business of Maxcroft Securities Limited ("Maxcroft"), for a cash consideration of £11.3m. Maxcroft is a longstanding and successful pawnbroking business based in Essex and the main asset we have acquired is its pawnbroking pledge book, amounting to c.£6.1m at the time of acquisition. Maxcroft also brings a highly remunerative foreign currency business, the revenue generated from which is more than twice that of our largest existing store. We believe that the acquisition provides us with an opportunity to expand our reach into a different customer demographic with a requirement, typically, for larger value pawnbroking pledge loans, often utilised by business owners looking to fund working capital. This further underlines our strategy of growing and broadening our core pawnbroking business.

Subject to shareholder approval, a final dividend of 10.5p (2022: 10.0p) per ordinary share will be paid on 28 June 2024 to those shareholders on the register at close of business on 31 May 2024. This brings the full year dividend to 17.0p (2022: 15.0p), a 13% increase. This reflects the Board's confidence in the future prospects of the business, whilst being mindful of the need to continue to invest in the growth of the pledge book, and capital investment in the store estate. The dividend remains in line with our progressive dividend policy, and maintains a coverage ratio of at least two times that of earnings.

**Outlook**

Looking to the year ahead, we will continue to build on the progress achieved in 2023. We believe that demand for our core pawnbroking service will remain high as the ongoing impact of inflation on customers' disposable incomes creates record levels of demand for small sum, short term lending, at a time of severely constricted supply. We are also seeing growing demand from customers who are business owners, seeking finance for working capital against pledged personal assets and this formed part of the rationale for the acquisition of the pledge book of Maxcroft.

Further expansion of our store network remains a focus, although this will always be in a controlled and measured manner. It is likely that between 8 and 12 new stores will be opened in 2024.

We have the funding flexibility to execute on our future growth ambitions. We have a clear strategy, a strong investment case, a motivated team, and solid foundations for further growth. The Board is confident in the future prospects of the Group.

**Chief Executive's Review**

The past year was a challenging period for businesses and individuals alike. The continued effects of high inflation – particularly in food, fuel, insurance and utility prices – along with high interest rates, impacted customers' disposable income and resulted in many people reappraising their spending priorities. For many businesses, including H&T, cost inflation – particularly employee related costs – was higher than expected. Against this backdrop, H&T delivered strong growth and a resilient operational performance.

Sustained demand for H&T's product offerings has seen the Group deliver revenue growth across the business, with profit before tax up 39% to £26.4m (2022: £19.0m). Challenging trading conditions for certain watch brands in H1, jewellery sales mix in H2 (which includes the peak Christmas trading period) together with the slower than anticipated momentum in foreign currency transaction volumes and revenues, resulted in profits falling short of our demanding aspirations. On-going firm action to mitigate the impact of rising costs, coupled with positive trading momentum across the business as we enter 2024, underpins our confidence in the future.

Growth in revenue was delivered by all the Group's core product segments – particularly our pawnbroking product – and across all channels, both in physical stores and increasingly via our digital platforms. Online retail sales continued at record levels.

The additional funding facilities put in place over the past year will enable us to continue to grow the pledge book and invest in the store estate, both existing and new stores. At the year end, the Group had 278 stores, up from 267 at the prior year end.

**Review of Operations**

*Pawnbroking*

Demand for our core pawnbroking product continues to increase, across all geographies. This is in part as a result of broader macroeconomic conditions and in particular, the impact of inflation on customers' disposable incomes. This demand for borrowing continues alongside an ongoing constraint in the supply of small sum, short term credit. These market dynamics have created a growth opportunity for pawnbroking and, as the market leader, for H&T in particular.

Aggregate lending for the year increased by over 19% to £260m (2022: £218m), with the number of loans granted to customers borrowing from H&T for the first time rising significantly. Currently, 13% of loans are to new borrowers, with new customer volumes up 17% year on year. The pledge book grew in the year by 28% to £129m (2022: £101m). Growth has been delivered across the store estate. It remains the case that growth in the c.70 stores acquired in 2019, is at a faster rate than for the store estate as a whole, delivering upon the acquisition strategy which identified pawnbroking as a key growth opportunity in those locations. All new stores opened by the Group since late 2020 are performing at or above planned levels.

Monthly lending volumes in the first two months of 2024 have been strong, with January a new record month for lending volume.

Average loan sizes have remained broadly consistent with H1, with a median loan size of £201 (June 2023: £200), marginally up on the prior year end (December 2022: £185). Mean loan sizes were £428 (June 2023: £423, December 2022: £405). In recent months, we have seen a growing number of requests for larger value loans, often from customers who are business owners needing to fund working capital.

Redemption rates have been consistent at c.85%. Loan duration has been stable at 97 days through the year (2022: 97 days), albeit there has been a trend over the past two years for customers to repay their loans more quickly than historic averages of c.108 days.

Loan to Value ratios continue to average c.65% (2022: c.65%). The yield on the pledge book is consistent with last year, at 61%. The Group has recently implemented an increase in lending interest rates, which will increase yield on the pledge book over time. This has necessitated a review of the input assumptions within the Group's IFRS 9 impairment models, particularly in respect of the calculated effective interest rate ("EIR").

Action was taken in mid-2023 to reduce the risk profile of lending against certain high-value watch brands, where price volatility was apparent. As a result, the value of lending against watches reduced in H2 as planned, both in respect of stock and flow. At the year end, the proportion of the pledge book secured on watches reduced to 14% (June 2023: 17%, December 2022: 15%). These loan values tend to be slightly larger than the average and remain on the book for slightly longer.

Post period-end, we acquired a pawnbroking pledge book of c.£6.1m from Maxcroft, which underpins the Group's focus on continuing to grow and broaden its core pawnbroking business. H&T has entered into a lease in respect of the store and will continue to operate from Maxcroft's existing location. All employees will remain with the business and a consultancy agreement is in place with the previous owner. Average loan sizes are considerably larger than for H&T, with a median loan size of £1,000 (H&T: £201) and a mean loan size of £4,063 (H&T: £428). Currently, c.15% of H&T's pledge book is represented by loans of £5,000 or more. Collateral mix, yield and LTV of Maxcroft's pledge book, are all broadly consistent with H&T's corresponding metrics, whilst redemption rates are slightly higher than those of H&T. This acquisition presents H&T with an opportunity to expand its reach to customers who are business owners using the pawnbroking service for working capital purposes, as well as contributing to our core strategic objective of sustainable pledge book growth.

| | 2023<br>£'m | 2022<br>£'m | Change % |
|---|---|---|---|
| Year-end net pledge book – note 1 | £129m | £101m | 28% |
| Average net pledge book | £115m | £84m | 37% |
| Revenue less impairment | £69.5m | £51.0m | 37% |
| Risk adjusted margin – note 2 | 61% | 61% | |

Notes:

1. Includes accrued interest and IFRS 9 impairment charge
2. Net revenue expressed on an annualised basis as a percentage of a simple average of the 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, via its physical store network and increasingly, online.

Retail sales increased by 8% to £48.6m (2022: £45.2m). The continued effects of inflation and high interest rates impacted customers' disposable incomes, resulting in many people reappraising their spending priorities. This was particularly the case in the peak Christmas trading period, manifesting itself in a mix shift towards lower priced items, often new rather than pre-owned because of the lower relative price point of new jewellery, and in some cases towards products which earn lower margins, e.g. gold coins.

Sales of new products represented 25% (2022: 22%) of full year sales by value, at a typical margin of 30% (2022: 34%). 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. Pre-owned jewellery sales represented 50% (2022: 62%) of full year sales by value, at a typical margin of 45% (2022: 46%) inclusive of coins and gold bars, which carry a lower margin.

Sales of pre-owned watches have been encouragingly robust. Market volatility in respect of certain watch brands affected retail sentiment, particularly in the summer of 2023. This adversely impacted sales, prices and margins in Q2 and Q3. Action taken to address this has enabled margin recovery from Q4 onwards. Margins on watch sales are currently c.20% (historical norm: c.25%). Watch sales represented 25% (2022: 16%) of full year sales by value at an average retail price of c.£1,600 (2022: £1,000).

Online sales increased by 65% to £9.8m, (2022: £5.9m). This represents 20% (2022: 13%) of total sales by value, with approximately 50% of these sales viewed in store by the customer prior to completing their purchase.

Our online retail offering has been enhanced through the year. We combined our two independently branded websites (H&T and est1897) into a single H&T website. A new website platform is in development, with expected roll out in the first half of 2024, which will significantly simplify and enhance customers' on-line experience.

Retail gross profit was down 19% to £14.4m (2022: £17.8m) with an overall gross margin of 30% (H1 2023: 28%; Full year 2022: 39%). The reduction in the gross margin is a result of the combination of the changed jewellery sales mix, sales price volatility in certain watch brands and action taken to reduce watch stock levels in Q2 and Q3.

Retail prices have been increased across the product range and margins are expected to improve in 2024. Trading in the first two months of 2024 has shown a reversion to a more normal spending pattern by customers, and sales mix.

Total inventory of £41m (2022: £35m) was held as at 31 December, including stock of parts held at Swiss Time Services. Of total inventory, £29m was available for retail sale (2022: £25m). The Group considers the valuation of its inventory to be conservative.

*<u>Foreign Currency</u>*

Demand for foreign holidays has remained buoyant despite challenging economic conditions for customers.

Gross profit grew to £6.3m (2022: £5.7m), an increase of 11%, on transaction volumes up 18% on the prior year. Customers continue to display caution in their holiday budgeting and are tending to take less money with them when they travel. Average store transaction values reduced slightly year on year, to £386 (2022: £390). Click and collect transaction values are significantly higher than store-based transactions, at £685.

Our foreign currency business continues to receive increased focus and investment. We implemented our 'click and collect' service in June, as well as broadening the range of currencies held in stock in stores. It has taken longer than planned to achieve the momentum in transaction volumes that was anticipated.

*<u>Gold Purchasing and Scrap</u>*

*Gold Purchasing*

Gross profit earned from scrap purchasing was £8.6m (2022: £6.8m), an increase of 27%. Margins were broadly consistent at 20% (2022: 19%), supported by a strong gold price, whilst both the gold price and the impact of inflation on customers' disposable income has underpinned demand. The average gold price per troy ounce during the period was £1,550 (2022: £1,450).

*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 34% to £4.7m (2022: £3.5m), with gross margin of 17% (2022: 19%). Margin was impacted by a decision to dispose of, by auction primarily in Q2 and Q3, a number of higher value watches where the cost of repair prior to retail sale was deemed uneconomic due to price volatility.

Pawnbroking scrap margins are earned as a direct consequence of our pawnbroking activities and represent the disposition of collateral held as security on unredeemed pawnbroking pledges. We do not believe that this represents a separate line of business. In future reporting periods, pawnbroking scrap will be incorporated into the segmental performance of pawnbroking, with prior periods restated to present an appropriate comparison.

*<u>Other Services</u>*

*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 reduced to £1.1m (2022: £1.5m). Whilst the number of customers utilising the service was broadly consistent, they have been sending and receiving smaller sums of money and transacting less often. We believe that this reflects challenging personal circumstances for individuals.

*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. This continued in 2023, but at a lower level. Consequently, profits earned were £1.1m (2022: £1.2m). The use of cheques in the wider economy continues to decline.

*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 £0.1m (2022: £0.7m) with profits earned reducing to £0.9m (2022: £2.1m) as the underlying book repays.

**2023 Business Focus and Outlook**

With continued investment in scale and capabilities, along with growing 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, in particular the core pawnbroking product. 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 remain 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 will continue with the planned store refresh programme, with c.50 store refreshes per annum.

We added twelve new stores during 2023, with two store relocations and one store closure. As at the end of December 2023, the Group's store estate stood at 278 (2022: 267). We have a prioritised list of potential locations throughout the UK for new store openings. 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. It is likely that 8 to 12 store openings will take place in 2024.

**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, with further functionality enhancements implemented throughout 2023. Phase 2 of the development will bring the new system to our jewellery processing centre in H1 2024, which is expected to significantly improve productivity in the medium term.

EVO is improving customers' experience in stores whilst providing us with enhanced customer data. A single view of the customer relationship across all products will be available when the programme is completed, which is expected to be over a three-year period to 2026. In the meantime, the improvements delivered through the EVO programme are supporting more effective and better targeted marketing communications and merchandising.

We are improving and enhancing our online presence. The customer-facing website is in the process of being upgraded, and the Group now has a single online presence following the merger of the est1897 website into the H&T website. This will be an ongoing process of continual evolution. Our aim is to further modernise the functionality, as well as the look and feel. We intend to make it easier for customers to do business with us through the channel they choose.

**A Growing Business**

The Group offers a range of products and services which are tailored to meet the needs of its customer base. It is common for customers to utilise more than one service, for example a money transfer customer might take foreign currency with them when they visit their home country. Similarly, a piece of retail jewellery purchased from H&T may become an item pledged as collateral for a pawnbroking loan. Our strategy is to attract footfall to our stores, and through the outstanding service provided by our store colleagues, establish long term relationships with customers, often spanning many years and multiple products.

Post period-end, we completed the acquisition of the pawnbroking and foreign currency business of Maxcroft, for a cash consideration of £11.3m. Maxcroft is a longstanding and successful pawnbroking business based in Essex and the main asset we have acquired is its pawnbroking pledge book, amounting to c.£6.1m at the time of acquisition. We believe that the acquisition provides us with an opportunity to expand our reach into a different customer demographic with a requirement, typically, for larger value pawnbroking pledge loans, often utilised by business owners looking to fund working capital through pledge of personal items through pledge of personal items. This further underlines our strategy of growing and broadening our core pawnbroking business, including consolidation opportunities as and when they arise.

To capitalise on the growth opportunity presented to the Group in the medium term, and to fund further growth in the pledge book and investment in the store portfolio, in July we increased the financing facilities provided by our longstanding bankers, Lloyds Bank plc, to £50m (previously £35m). In November, Allica Bank Limited, provided additional funding in the form of a £10m term facility and, post period end, we were delighted to further diversify and broaden the maturity profile of the Group's funding arrangements with £25m of additional term financing from Pricoa Private Capital.

**Macroeconomic 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. We are also seeing increased demand from customers who are business owners using the pawnbroking service for working capital purposes, and who often find themselves excluded by mainstream financial institutions.

*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 has remained robust through 2023 and in the early months of 2024. We believe that there are clear 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, notwithstanding the challenges of broader macroeconomic pressures felt by our customers. The Group is responding by focussing on ensuring that we have the right mix of items for sale, particularly lower priced pre-owned jewellery, reflecting current customer spending priorities.

*Foreign Currency*
We expect increasing demand for foreign exchange services as overseas travel remains buoyant. Our foreign currency business will continue to receive focus and investment.

*Our Cost Base*
Like all businesses, H&T is experiencing the impact of continued inflation, particularly with regards to employee related costs, both in respect of ourselves and key suppliers. 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.

We have rewarded our employees with increases in basic pay, and with bonuses intended to recognise their hard work and contribution throughout 2023. Employee related costs for 2024 will continue to rise at a rate above that of headline inflation, primarily as a result of decisions taken in respect of national living wage. Ensuring that our people are appropriately remunerated will remain a priority for the Group.

We fixed the cost of energy supplies for two years at the end of 2021, and we have extended this agreement for a further two years until the end of 2025. We remain able to obtain attractive lease 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 £26.4m (2022: £19m), up 39% year on year and profit after tax of £21.1m (2022: £14.9m), up 42% year on year.

Reported gross profit increased to £127m (2022: £102m), up 25% year on year as sustained demand for H&T's core product offerings delivered revenue growth.

Pawnbroking is the Group's core product offering with gross profit growing to £90.2m (2022: £63.7m), up 42% year on year, increasing its proportion of gross profit to 71% (2022: 63%). Pawnbroking income is strongly correlated to the timing of growth in the underlying pledge book, the distribution of individual pledge loan values within the portfolio and the impairment charge required to be raised in line with International Financial Reporting Standards (IFRS) 9. The risk adjusted yield on the pledge book has remained consistent with that of the prior year at 61% (2022: 61%). We have seen a growing number of requests for larger value loans, often from customers who are business owners needing to fund their business working capital needs. We have recently increased lending rates which will increase yield over time.

Retail revenue grew to £48.6m (2022: £45.2m), up 8% year on year. Margins were impacted by challenging trading conditions for certain watch brands in H1, a change in jewellery sales mix during peak Christmas trading as customer demand shifted towards lower priced new items, and action taken to reduce watch stock levels in Q2 and Q3. The combination of these factors saw retail gross profits reduce by 19% to £14.4m (2022: £17.8m) with an overall gross margin of 30% (H1 2023: 28%; Full year 2022: 39%).

Gold purchasing gross profits grew to £8.6m (2022: £6.8m), up 27% year on year, as the combination of an increase in the prevailing gold price during the year and rising inflation reducing customers' disposable incomes, supported increased demand from customers wanting to sell their jewellery and watches. Margins were broadly consistent with prior year at 20% (2022: 19%).

Pawnbroking scrap gross profit increased to £4.7m (2022: £3.5m), up 34% year on year. Volumes are highly correlated to the size and growth 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. The margin earned of 17% (2022: 19%) was impacted by a decision to dispose of, by auction primarily in Q2 and Q3, a number of higher value watches, where the cost of repair prior to retail sale was deemed uneconomic due to price volatility. With a growing pledge book and consistent rates of customer redemptions, the volume of scrap sales is expected to rise commensurately, with a lag typically of 10 to 11 months after the date of the original loan.

Pawnbroking ssap profits are earned as a direct consequence of our pawnbroking activities, as they represent the realisation of value from the disposition of collateral held as security on unredeemed pawnbroking pledges. We do not believe that this represents a separate line of business. In future reporting periods, pawnbroking scrap will be incorporated into the segmental performance of pawnbroking with prior periods restated to present an appropriate comparison.

Foreign Currency continues to receive focus and investment, increasing gross profit to £6.3m (2022: £5.7m), up 11% year on year. We invested in improving the customer proposition during the year, introducing an online ‘click-and-collect’ offering and broadening the range of currencies available to customers in our stores.

Gross profit earned from the remaining services offered by the Group, being Money Transfer, Cheque Cashing, and Swiss Time Services amounted to £2.6m (2022: £3.2m), decreasing by 19% year on year. The use of cheques in the wider economy continues to decline and money transfer customers transferred smaller sums, often less frequently as their disposable income came under pressure due to high inflation and rising interest rates.

Personal lending gross profit fell as expected to £0.2m (2022: £1.1m), 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.

**Recognition and Measurement of Financial Assets: Pledge Book**

International Financial Reporting Standards, IFRS 9, is issued by the International Accounting Standards Board (IASB) to govern the recognition, measurement, and disclosure of financial instruments. This requires the Group to classify, measure and recognise expected credit losses on its financial assets, from the point of initial recognition of the pawnbroking loan made to the customer.

The Group’s financial assets and liabilities, as defined by IFR9,measured at amortised costs are:

| Financial Asset (Amortised cost) | Financial Liability (Amortised cost) | December 2023 | December 2022 |
|---|---|---:|---:|
| Pawnbroking Pledge Book | | £129m | £101m |
| Cash and Cash Equivalents | | £11.4m | £12.2m |
| Other Assets | | £0.3m | £0.8m |
| | Trade and other payables | (£15m) | (£8m) |
| | Borrowings due >1 year | (£43m) | (£15m) |
| **Net Financial Assets/(Liabilities)** | | **£82.7m** | **£90.8m** |

The Group monitors and manages the financial risks relating to these financial instruments held, which include credit risk on financial assets and liabilities, and liquidity and interest rate risk on financial borrowings. Credit risk, is the risk that a counterparty will default upon its contractual obligations, resulting in a financial loss to the Group.

For the pawnbroking pledge book, the Group is exposed to credit risk through customers defaulting on their loans, with the key mitigation to this risk being the requirement for all customers to provide security (the pledge item) to H&T for safe keeping, at the point they enter into the pawnbroking contract. This security (the pledge item) acts to minimise the credit risk as a customer pledge becomes the property of H&T on the default of the pawnbroking loan.

IFRS 9 requires that the Group measures loss allowances for financial assets, specifically the pledge book, using the expected credit loss model. The Group's expected credit loss models compare the carrying value of pledge loans (being the principal loan value plus interest accrued for each pawnbroking loan) to the expected recoveries through redemption and the realisable value of the underlying collateral (the pledge).

A detailed and comprehensive review of the key estimates considered in the Group's IFRS 9 impairment model was concluded during the course of 2023, in conjunction with independent experts, with a further review undertaken following the period-end. This review focused on the key estimates captured in the IFRS 9 expected credit loss model, which are:

i) Redemption rates: this captures both the rate at which and timing of when customers historically redeem their pledge loans.

ii) Forfeit profile: this is the time historically taken to realise the underlying value of the collateral (the pledge) for loans which have defaulted. Pledge loans are considered to be in default when they reach the end of their contractual period of 6 months.

iii) Expected realisation value of collateral: this is the realisable value of the collateral (the pledge) and this security significantly reduces the credit risk. In the event of default, these collateral items (the pledge), can either be either sold as retail items or scrapped by H&T to settle the outstanding carrying value (principal plus accrued interest) of the pledge loan. If sold as retail items, the realisable value is the retail price at which these items are sold, through the Group's store estate or on-line. If scrapped, the realisable value is the prevailing trade price of the underlying metals, precious stones or watches. The Group estimates that the current fair value of the security held (the pledge item) is in excess of the current pledge book value.

The review further considered the effective interest rate ("EIR") applied in determining the value of the expected future credit losses, also noting the impact of any changes in the key assumptions noted above. We are satisfied that the recognition and measurement of the pledge book fairly represents the minimal exposure to credit risk, given the current fair value of the security held (the pledge item) is in excess of the pledge book value.

The pledge book at 31 December was £129m (2022: £101m), consisting of the gross carrying value of the pledge book of £135m (2022: £113m), less the IFRS 9 provision of £6m (2022: £12m).

The fair value of the collateral held in support of the pledge book at 31 December is estimated to be £184m (2022: £135m).

**Inventory**

Inventory of £41m (2022: £35m) is valued at the lower of cost or net realisable value. For inventory arising from unredeemed pledge loans upon default, this cost represents the value of the pledge loan plus overheads.The net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Relative to these measures, the Group considers the value of inventory to be conservatively stated.

The collateral (the pledge item) which protects the Group from credit risk in the event of default of pledge book loans, comprises 99% (2022: 99%) gold, jewellery items and watches. The value of these items is correlated to the prevailing gold price and they are conservatively valued as the Group applies conservative lending policies when providing pawnbroking pledge loans. Lending rates do not track the gold price movement in the  short term. Considering the combination of these factors, the Group considers the value of the collateral (the pledge item) to be conservatively stated.

**Costs**

Direct and administrative expenses, which includes the IFRS 9 impairment charge, increased to £97.7m (2022: £81.4m), up 20% year on year.

The IFRS 9 impairment charge includes uncollected interest on pledge loans that have reached default and  the IFRS 9 expected credit loss provision charge. This charge increased in line with the growth in the underlying pledge book and IFRS 9 credit loss model requirements,  to £20.3m (2022: £11.8m).

Uncollected pledge book interest on loans that have reached default, is recovered through the disposal of the collateral item, either through pawnbroking scrap or retail activities. As such, in future reporting periods, pawnbroking scrap will be incorporated into the segmental performance of pawnbroking, with prior periods restated to present an appropriate comparison.

Operating expenses, being direct and administrative expenses exclusive of the IFRS 9 impairment charge, increased to £77.4m (2022: £69.6m), up 11% year on year. The Group is primarily a fixed and volumetric cost business. Very close cost control during a time of persistent inflationary pressures, resulted in increases in operating expenses moderating as expected in H2, relative to increases of 19% reported for H1. This moderation of cost growth in H2, reflected no significant salary cost increases in the second half of the year and third party suppliers price increases having been concentrated in late 2022 and early H1 2023. Continued ongoing close control of costs to achieve operating efficiencies, remains a priority of the Group.

Employee related costs, excluding variable remuneration, contribute approximately 57% (2022: 53%) to the Group’s total operating cost base, increasing by 20% year on year. This reflects the combined impact of an increase in employee numbers over the past 12 months from 1,540 to 1,625, and the impact of pay increases. Ensuring that our employees are appropriately rewarded remains a priority for the Group, and pay reviews were implemented in April 2022 and January 2023 ahead of the April 2023 implementation of the updated National Living Wage, which increased by 9.7%.  Employee related costs for 2024 will continue to rise at a rate above that of headline inflation, primarily as a result of decisions taken in respect of National Living Wage.

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

**Headcount**

The Group employed 1,625 (2022: 1,540) colleagues at 31 December 2023, with the increase in headcount supporting the growth in store estate and in key support functions.

**Share Capital**

The Group has a total of 43,987,934 (2022: 43,850,484) shares in issue.

At 31 December 2023, the Group operated a single share award scheme, the Performance Share Plan “PSP”. The charge to the income statement for the year for this scheme was £0.2m (2022: £0.6m).

During 2023, two schemes expired, being the Approved Share Option Scheme ("ASOS"), and the Unapproved Share Option Scheme ("USOS"). These schemes, which were originally granted in March 2013, expired on the 27 March 2023 with the remaining shares options exercised. 57,980 were exercised at a price of 292.2p and 4,108 were exercised at a price of 292.3p.

Awards that can be granted under this current PSP scheme total a maximum of 4,398,793 shares (2022: 4,385,048 shares across three PSP, ASOS, and USOS schemes), being 10% of the issued share capital of the Group as defined in the Articles of Association.

**Tax**

The corporate taxation charge for the year was £5.3m (2022: £4.1m). The group has an effective tax rate of 20% (2022: 22%). The Group was able to make use of the super-deduction allowance for investment in plant and machinery for three years from 1 April 2021. The timing difference between tax deductibility of this investment in plant and machinery versus the timing of the accounting recognition of this expenditure, results in deferred taxation and contributes to the lower effective tax rate.

**Balance Sheet and Capital expenditure**

The Group's net asset value increased to £177m (2022: £164m). The balance sheet is underpinned by the inherent value, expressed at cost, of precious metals and watches 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 £129m (2022: £101m), up 28% year on year.

Inventory increased to £41m (2022: £35m), up 18% year on year. Of this total inventory, £29m was available for retail sale (2022: £25m). The value of watches in the course of repair as at December 2023 had decreased to approximately £2.7m (2022: £4m). Watch repair turn-around times remain consistently longer than historical norms, due to increasing repair volumes and parts supply pressures from watchmakers, which is evident across the industry.

The Group ended the year with a net debt position of £31.6m (2022: £2.8m), primarily funding investment in the growing pledge book and the store estate, both new and existing stores. Cash on hand held across the store estate at the end of December amounted to £11m (2022: £12m), as working capital management remains a priority for management.

During the course of the year, the Group was able to increase the financing facilities provided by its longstanding bankers, Lloyds Bank plc, to £50m (previously £35m). In November, Allica Bank Limited, provided additional funding in the form of a £10m term facility and, post period end, we further diversified and enhanced the Group's funding arrangements with £25m of additional term financing from Pricoa Private Capital. This additional financing brings the total funding facilities available to H&T to £85m, with all the secured funders ranking Pari Passu and the financial covenants aligned across all three funders.

Non-current assets grew to £65m (2022: £60m) with the investment of capital expenditure, particularly in respect of the Group's store estate, both existing and new store stores, of £2.7m (2022: £3m) and continued strategic investment in the Group's technology capabilities and platform of £1.6m (2022: £1.7m). These costs have been capitalised in line with accounting standard, IAS 38. Further costs are expected to be capitalised as further phases of development are undertaken over a further two to three years.

**Cash Flow and Financing Facilities**

The Group's net debt position at 31 December, amounted to £32m (2022: £3m) as the growing business was funded through the increasing use of the Group's available funding facilities. Cash in hand and held within the store estate reduced marginally to £11m (2022: £12m).

As expected, we continued to invest available cash resources in growing the core pawnbroking business of the Group, with £29m (2022: £31m) invested in the increased pledge book and £18.0m (2022: £18.3m) invested in capital expenditure, firstly in the store estate, both new stores and existing stores, and secondly in our technology platforms.

Taxation and dividend payments were made of £6.0m (2022: £2.2m) and £7.2m (2022: £5.1m) respectively, whilst interest paid was £2m (2022: 0.5m), reflecting increased use of financial facilities available to the Group along with rising interest rates.

Financing facilities available to the Group were increased and diversified during the course of 2023 with an increase in the facilities provided by our longstanding bankers, Lloyds Bank plc, to £50m (previously £35m) and the addition of a £10m funding facility from Allica Bank Limited.

Post period-end, in February 2024, Pricoa Private Capital provided further financing of £25m to the Group. This comprises a note purchase and guarantee agreement of £10m secured notes at a fixed rate of 8.37% that fall due February 2029 and £15m secured notes at a fixed rate of 8.43% that fall due February 2031.

These additional financing facilities bring H&T's total funding availability to £85m, with all three secured funders ranking Pari Passu. We believe the quantum of these funding facilities, supported by the diversification of lenders, financing structures, interest charges and maturity profiles support the growth ambitions and expected medium term borrowing needs of the Group.

A summary of the Group's funding facilities are included in the table below:

| **Provider** | **Facility** | **Facility Value** | **Interest rate** | **Maturity** |
|---|---|---|---|---|
| Lloyds Bank Plc | Overdraft | £5m | Bank of England base rate plus 1.7% | December 2024<br><br>Renews annually |
| Lloyds Bank Plc | Revolving Credit Facility | £45m | Sonia plus margin of between 2.4% and 3.3% | December 2026<br><br>A single + 1 extension option to 2027 |
| Allica Bank Limited | Term Loan | £10m | Bank of England base rate plus 4% | December 2026<br><br>A single + 1 extension option to 2027 |
| **Total Funding available at 31 December 2023** | | **£60m** | | |
| **Post-Event 2024:**<br><br>Pricoa Private Capital (February 2024) | Series A Secured Note | £10m | 8.37% | February 2029 |
| Pricoa Private Capital (February 2024) | Series B Secured Note | £15m | 8.43% | February 2031 |
| **Total Funding Available Post-Event 2024** | | **£85m** | | |

At 31 December the Group had used £43m (2022: £15m) of its available funding, having drawn £33m (2022: £15m) of the Lloyds revolving credit facility, £10m (2022: NIL) of the Allica term loan and NIL (2022: NIL) of the Lloyds overdraft facility. The Group had available £12m (2022: £15m) of undrawn committed borrowing facilities and £3.8m of uncommitted overdraft facilities (2022: £5m) in respect of which all covenants have been comfortably met.

Financial covenants are aligned across all three of our funders and are summarised in the table below.

| **Financial Covenant** | **Ratio** | **31 December 2023** | **31 December 2022** |
|---|---|---|---|
| Total Net Debt to EBITDA | 2.5 x | 0.9 x | 0.1x |
| Interest Cover Ratio | 4 x | 18.4 x | 60.8 x |
| Fixed Cover Charge Cover Ratio | 1.5 x | 14.8 x | 46.1 x |
| Asset Cover Ratio<br>(added November 2023 post addition of funding from Allica) | 3 x | 5.4 x | 41.1 |

**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 £0.6m (2022: £0.3m) 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 the year of £171m (2022: £150m) and reported profit after tax of £21.1m (2022: £14.9m), representing a post-tax return on average equity of 12.4% (2022: 9.9%), up 25% year on year. The Group targets 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 2023 was 432p (2022: 480p), with a market capitalisation of £190m (2022: £211m).

Basic earnings per share was 48.7p (2022: 37.2p), up 31% year on year, and diluted earnings per share was 48.5p (2022: 37.2p). Net asset value per share was 403.3p (2022: 374.3p), up 8% on prior year.

**GROUP STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Note | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|---|
| Continuing operations: | | | |
| Revenue | 2 | 220,775 | 173,941 |
| Cost of sales | | (93,539) | (72,025) |
| **Gross profit** | 2 | **127,236** | **101,916** |
| Other direct expenses | | (73,521) | (59,535) |
| Administrative expenses | | (24,204) | (21,828) |
| **Operating profit** | | **29,511** | **20,553** |
| Investment revenues | | 82 | - |
| Finance costs | 3 | (3,233) | (1,548) |
| **Profit before taxation** | | **26,360** | **19,005** |
| Tax charge on profit | 4 | (5,277) | (4,093) |
| **Profit for the financial year and total comprehensive income** | | **21,083** | **14,912** |

| **Earnings per share from continuing operations** | | 2023<br>Pence | 2022<br>Pence |
|---|---|---|---|
| Basic | 5 | 48.74 | 37.16 |
| Diluted | 5 | 48.49 | 37.15 |

All profit for the year is attributable to equity shareholders.

**GROUP STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Share capital £'000 | Share premium account £'000 | Employee Benefit Trust shares reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 January 2022 | 1,993 | 33,486 | (35) | 101,174 | 136,618 |
| Profit for the year | - | - | - | 14,912 | 14,912 |
| Total comprehensive income | - | - | - | 14,912 | 14,912 |
| Accumulated dividends waived by the EBT | | | | 569 | 569 |
| 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** |
| At 1 January 2023 | 2,193 | 49,423 | (34) | 112,537 | 164,119 |
| Profit for the year | - | - | - | 21,083 | 21,083 |
| Total comprehensive income | - | - | - | 21,083 | 21,083 |
| Issue of share capital | 6 | 300 | - | (306) | - |
| Share option movement | - | - | 3 | (679) | (676) |
| Dividends | - | - | - | (7,156) | (7,156) |
| **At 31 December 2023** | **2,199** | **49,723** | **(31)** | **125,479** | **177,370** |

**GROUP BALANCE SHEET**
**AS AT 31 DECEMBER 2023**

| | Note | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | 21,851 | 20,969 |
| Other intangible assets | | 7,618 | 6,368 |
| Property, plant and equipment | | 15,686 | 13,045 |
| Right-of-use assets | | 19,581 | 18,991 |
| Deferred tax assets | | - | 251 |
| | | 64,736 | 59,624 |
| **Current assets** | | | |
| Inventories | | 40,711 | 35,469 |
| Trade and other receivables | | 135,271 | 104,046 |
| Cash and cash equivalents | | 11,387 | 12,229 |
| | | 187,369 | 151,744 |
| **Total assets** | | 252,105 | 211,368 |
| **Current liabilities** | | | |
| Trade and other payables | | (7,955) | (9,097) |
| Lease liability | | (3,965) | (3,743) |
| Current tax liability | | (858) | (937) |
| | | (12,778) | (13,777) |
| **Net current assets** | | 174,591 | 137,967 |
| **Non-current liabilities** | | | |
| Borrowings | | (43,000) | (15,000) |
| Lease liabilities | | (18,002) | (16,326) |
| Deferred tax liabilities | | (508) | - |
| Long term provisions | | (447) | (2,146) |
| | | (61,957) | (33,472) |
| **Total liabilities** | | (74,735) | (47,249) |
| **Net assets** | | 177,370 | 164,119 |
| **EQUITY** | | | |
| Share capital | 8 | 2,199 | 2,193 |
| Share premium account | | 49,723 | 49,423 |
| Employee Benefit Trust share reserve | | (31) | (34) |
| Retained earnings | | 125,479 | 112,537 |
| **Total equity attributable to equity holders** | | 177,370 | 164,119 |

The financial statements of H&T Group Plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 12 March 2024.

They were signed on its behalf by:
C D Gillespie
Chief Executive Officer

**GROUP CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Note | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Net cash utilised from operating activities** | 6 | (3,387) | (13,246) |
| | | | |
| **Investing activities** | | | |
| Interest received | | 82 | - |
| Proceeds on disposal of right-of-use assets | | - | 56 |
| Purchases of intangible assets | | (1,554) | (2,808) |
| Purchases of property, plant and equipment | | (7,045) | (4,582) |
| Acquisition of subsidiary | | - | (3,759) |
| Acquisition of trade and assets of businesses | | (3,155) | (372) |
| Acquisition of right-of-use assets | | (6,303) | (6,676) |
| | | | |
| **Net cash used in investing activities** | | (17,975) | (18,141) |
| | | | |
| **Financing activities** | | | |
| Dividends paid | | (7,156) | (5,092) |
| Increase in borrowings | | 28,000 | 15,000 |
| Debt restructuring costs | | (355) | (101) |
| Proceeds on issue of shares (net of costs) | | - | 16,137 |
| Employee Benefit Trust | | 31 | 34 |
| | | | |
| **Net cash used in financing activities** | | 20,520 | 25,978 |
| | | | |
| **Net decrease in cash and cash equivalents** | | (842) | (5,409) |
| | | | |
| **Cash and cash equivalents at beginning of the year** | | 12,229 | 17,638 |
| | | | |
| **Cash and cash equivalents at end of the year** | | 11,387 | 12,229 |

**Notes to the Preliminary Announcement**

**For the year ended 31 December 2023**

**1. Finance information and significant accounting policies**

The financial information has been abridged from the audited financial statements for the year ended 31 December 2023.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 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 2024.

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

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; and
- Income from other services

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 2023 returns were 7.3% (2022: 6.5%)

**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 which ceased in April 2022.

**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, money transfer income, watch repairs and other income. Commission receivable on cheque cashing 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.

**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. It also includes a charge for interest earned on pawnbroking loans that ultimately forfeit, net of the movement in the IFRS 9 provision.

**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% (2022: 99%) of the collateral against which amounts are lent comprises precious metals (predominantly gold), diamonds and watches. The pawnbroking contract is a six-month credit agreement bearing a monthly interest rate of between 2% and 9.99%. The contract is governed by the terms of the Consumer Credit Act 2008. 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.

**Gold 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 which ceased in April 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.

Segment information about these businesses is presented below:

| 2023<br>Revenue | Pawnbroking<br><br>£'000 | Gold purchasing<br>£'000 | Retail<br><br>£'000 | Pawnbroking Scrap<br>£'000 | Personal Loans<br>£'000 | Foreign Exchange<br>£'000 | Other services<br>£'000 | **Total**<br><br>**£'000** |
|---|---|---|---|---|---|---|---|---|
| External revenue | 90,412 | 42,811 | 48,584 | 27,908 | 242 | 7,136 | 3,682 | 220,775 |
| **Total revenue** | **90,412** | **42,811** | **48,584** | **27,908** | **242** | **7,136** | **3,682** | **220,775** |
| **Gross profit** | **90,412** | **8,577** | **14,417** | **4,695** | **242** | **6,276** | **2,617** | **127,236** |
| Impairment | (20,930) | - | - | - | 632 | - | - | (20,298) |
| **Segment result** | **69,482** | **8,577** | **14,417** | **4,695** | **874** | **6,276** | **2,617** | **106,938** |
| Other direct expenses including impairment | | | | | | | | (53,223) |
| Administrative expenses | | | | | | | | (24,204) |
| **Operating profit** | | | | | | | | **29,511** |
| Interest receivable | | | | | | | | 82 |
| Financing costs | | | | | | | | (3,233) |
| **Profit before taxation** | | | | | | | | **26,360** |
| Tax charge on profits | | | | | | | | (5,277) |
| **Profit for the financial year** | | | | | | | | **21,083** |

| 2022<br>Revenue | Pawnbroking<br><br>£'000 | Gold purchasing<br>£'000 | Retail<br><br>£'000 | Pawnbroking Scrap<br>£'000 | Personal Loans<br>£'000 | Foreign Exchange<br>£'000 | Other services<br>£'000 | **Total**<br><br>**£'000** |
|---|---|---|---|---|---|---|---|---|
| External revenue | 63,745 | 36,246 | 45,197 | 18,286 | 1,143 | 5,749 | 3,575 | 173,941 |
| **Total revenue** | **63,745** | **36,246** | **45,197** | **18,286** | **1,143** | **5,749** | **3,575** | **173,941** |
| **Gross profit** | **63,745** | **6,815** | **17,778** | **3,468** | **1,143** | **5,749** | **3,218** | **101,916** |
| Impairment | (12,719) | - | - | - | 963 | - | - | (11,756) |
| **Segment result** | **51,026** | **6,815** | **17,778** | **3,468** | **2,106** | **5,749** | **3,218** | **90,160** |
| Other direct expenses including impairment | | | | | | | | (47,779) |
| Administrative expenses | | | | | | | | (21,828) |
| **Operating profit** | | | | | | | | **20,553** |
| Interest receivable | | | | | | | | - |
| Financing costs | | | | | | | | (1,548) |
| **Profit before taxation** | | | | | | | | **19,005** |
| Tax charge on profits | | | | | | | | (4,093) |
| **Profit for the financial year** | | | | | | | | **14,912** |

| 2023<br>Other information | Pawnbroking<br>£'000 | Gold purchasing<br>£'000 | Retail<br>£'000 | Pawnbroking Scrap<br>£'000 | Personal Loans<br>£'000 | Foreign Exchange<br>£'000 | Other services<br>£'000 | Unallocated<br>£'000 | **Total**<br>**£'000** |
|---|---|---|---|---|---|---|---|---|---|
| Capital additions (*) | - | - | - | - | - | - | - | 16,101 | 16,101 |
| Depreciation, amortisation and impairment (*) | - | - | - | - | - | - | - | 10,409 | 10,409 |
| **Balance sheet** | | | | | | | | | |
| **Assets** | | | | | | | | | |
| Segment assets | 128,887 | 826 | 38,856 | 407 | 125 | 4,623 | 2,262 | - | 175,986 |
| Unallocated corporate assets | | | | | | | | 49,609 | 49,609 |
| Total assets | | | | | | | | | 252,105 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | - | - | (786) | - | - | - | (2,096) | - | (2,882) |
| Unallocated corporate liabilities | | | | | | | | (71,853) | (71,853) |
| Total liabilities | | | | | | | | | (74,735) |

| 2022<br>Other information | Pawnbroking<br>£'000 | Gold purchasing<br>£'000 | Retail<br>£'000 | Pawnbroking Scrap<br>£'000 | Personal Loans<br>£'000 | Foreign Exchange<br>£'000 | Other services<br>£'000 | Unallocated<br>£'000 | **Total**<br>**£'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) |

(*) 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:

| | 2023 £’000 | 2022 £’000 |
|---|---|---|
| United Kingdom | 217,388 | 171,237 |
| Other | 3,387 | 2,704 |
| | 220,775 | 173,941 |

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

## 3. Financing Costs

| | 2023 £’000 | 2022 £’000 |
|---|---|---|
| Interest on bank loans | 2,176 | 486 |
| Other interest | 4 | 2 |
| Interest expense on the lease liability | 945 | 873 |
| Amortisation of debt issue cost | 108 | 187 |
| **Total interest expense** | 3,233 | 1,548 |

## 4. Tax Charge on Profit

### (a) Tax on profit on ordinary activities

| | 2023 £’000 | 2022 £’000 |
|---|---|---|
| **Current tax** | | |
| United Kingdom corporation tax charge at 23.5% (2022: 19%) based on the profit for the year | 6,195 | 3,441 |
| Adjustments in respect of prior years | (338) | (643) |
| Total current tax | 5,857 | 2,798 |
| **Deferred tax** | | |
| Timing differences, origination and reversal | (300) | 1,152 |
| Adjustments in respect of prior years | (202) | 313 |
| Effect of change in tax rate | (78) | (170) |
| Total deferred tax | (580) | 1,295 |
| **Tax charge on profit** | 5,277 | 4,093 |

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than that resulting from applying a standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are explained below:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Profit before taxation | 26,360 | 19,005 |
| Tax charge on profit at standard rate | 6,195 | 3,610 |
| **Effects of:** | | |
| Disallowed expenses and non-taxable income | 6 | 271 |
| Non-qualifying depreciation | (45) | (80) |
| Effect of change in tax rate | (78) | (170) |
| Movement in short-term timing differences | (294) | 792 |
| Adjustments to tax charge in respect of prior years | (507) | (330) |
| **Tax charge on profit** | 5,277 | 4,093 |

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 a credit of £179,000 (2022: debit of £435,000).

## 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 2023 | | | 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 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Earnings per share: basic** | 21,083 | 43,253,136 | 48.74 | 14,912 | 40,132,753 | 37.16 |
| **Effect of dilutive securities** | | | | | | |
| Options and conditional shares | - | 223,629 | (0.25) | - | 14,807 | (0.01) |
| **Earnings per share: diluted** | 21,083 | 43,476,765 | 48.49 | 14,912 | 40,147,560 | 37.15 |

## 6. Notes to the Cash Flow Statement

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Profit for the year** | 21,083 | 14,912 |
| **Adjustments for:** | | |
| Investment revenues | (82) | - |
| Financing costs | 3,233 | 1,548 |
| Decrease in provisions | (1,699) | (1,680) |
| Income tax expense | 5,277 | 4,093 |
| Depreciation of property, plant and equipment | 4,171 | 3,223 |
| Depreciation of right-of-use assets | 5,769 | 5,303 |
| Amortisation of intangible assets | 915 | 786 |
| Right-of-use asset impairment | (57) | (255) |
| Share based payment expense | 215 | 539 |
| Loss on disposal of property, plant and equipment | 233 | 3 |
| Loss on disposal of right-of-use assets | 1 | 37 |
| Operating cash inflows before movements in working capital | 39,059 | 28,509 |
| Increase in inventories | (5,079) | (6,693) |
| Increase in receivables | (29,426) | (30,684) |
| Increase/(Decrease) in payables | 901 | (744) |
| Cash generated from operations | 5,455 | (9,612) |
| Income taxes paid | (5,957) | (2,230) |
| Interest paid on loan facility | (1,939) | (531) |
| Interest paid of lease liability | (946) | (873) |
| **Net cash from operating activities** | (3,387) | (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**

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:

| | | **2023**<br>**£'000** | **2022**<br>**£'000** |
|---|---|---|---|
| **Operating profit** | | 29,511 | 20,553 |
| (i) | Depreciation of the right-of-use assets | 5,769 | 5,303 |
| (ii) | Depreciation and amortisation- other | 3,418 | 4,009 |
| (iii) | Impairment of the right-of-use-assets | (57) | (255) |
| **EBITDA** | | 38,641 | 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. Share Capital

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| **Issued, authorised and fully paid:** | | |
| 43,987,934 (2022: 43,850,484) ordinary shares of £0.05 each | 2,199 | 2,193 |

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

The Group issued share capital amounting to £6,873 (2022: £199,000) during the year. Associated share premium of £300,000 (2022: £15,888,000) was created. The shares were issued to satisfy share option awards that vested during the year and were at £nil consideration.