9th August 2022

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 June 2022

H&T Group plc (AIM:HAT), the UK's largest pawnbroker and a leading retailer of high quality new and pre-owned jewellery and watches, today announces its interim results for the six months ended 30 June 2022 ("the period").

Highlights

- Profit before tax of £6.7m (H1'2021: £4.7m) as the continued momentum in our core pawnbroking business underpinned a strong performance.
- The pledge book grew 27% to £85.1m (December 2021: £66.9m) with demand for pledge lending remaining at record levels. Daily average lending volumes are more than 40% above pre-pandemic norms.
- Retail sales of £20.8m (H1'2021: £12.4m) reflects an increasing demand for high quality new and pre-owned jewellery and watches.
- Net income from other services of £9.4m (H1'2021: £8.3m), driven by buoyant gold purchasing, particularly during the second quarter, and a doubling of foreign currency revenues as international holiday travel returns. Revenue from personal loans has reduced as the book reduces.
- Net Asset Value of £139.1m (December 2021: £136.6m), supported by assets of high intrinsic value.
- Net Debt of £8.6m (December 2021: net cash £17.6m). Cash balances and funding facilities have been deployed primarily to fund the growing pledge book and increased inventory.
- Interim dividend increased to 5p per share (H1'2021: 4p), reflecting the Board's growing confidence in the future prospects for the Group.
- Acquired Swiss Time Services for a consideration of £4.3m, inclusive of a net cash balance of £0.5m, on 1 July 2022. This acquisition is immediately earnings enhancing and will bring watch repair and servicing expertise in-house, supporting the Group's growing watch business.

Chris Gillespie, H&T chief executive, said:

"This year is the 125th anniversary of the founding of H&T. We have a proud history and the growth we have seen in the first half of this year has been very encouraging. We experienced increasing momentum across our product set, customer base, and geographical locations. This has continued into the second half.

I am delighted that we recently concluded the acquisition of Swiss Time Services, allowing the Group to add watch repair services to its product offering, which aligns well with our broader watch strategy. We look forward to the opportunities and synergies this acquisition will bring to the Group.

We continue to invest, both in our store estate to take advantage of the ongoing strong demand for our services, and the opportunity to expand beyond our current footprint. We remain focused on enhancing the Group's IT infrastructure and digital capabilities. We have begun the roll out of the new Point of Sale (POS) system in our stores, with full roll out expected to be completed before the end of 2022.

The positive trading momentum which began in late in 2021 has continued into 2022, with monthly demand for pledge lending growing, consistent appetite for our new and pre-owned retail products, and a strong rebound in gold purchase and foreign currency sales. We anticipate that demand for our services will continue to grow in the months ahead, and we are investing in scale and capabilities, both operational and technological, in order to take advantage of the opportunities ahead of us.

I am extremely proud of the H&T team, wherever they work across the Group. They consistently deliver outstanding levels of service to our customers. They are and will remain, critical to our future success."

Financial Highlights (£m unless stated) 6 months ended 30 June	2022	2021	Change %	*FY 2021*
Reported Profit before Tax	£6.7m	£4.7m	42.6%	*£7.9m*
Reported Diluted EPS (p)	13.1p	9.3p	40.9%	*15.4p*
Dividends per share	5p	4p	25%	*12.0p*
Net assets	£139.1m	£135.9m	2.4%	*£136.6m*
Key Performance Indicators				
Net Pledge book	£85.1m	£50.2m	69.5%	*£66.9m*
Net Pawnbroking revenue	£22.9m	£18.5m	23.8%	*£37.7m*
Retail sales	£20.8m	£12.4m	67.7%	*£36.2m*
online sales	*14%*	*19%*		*14%*
new jewellery sales	*18%*	*13%*		*16%*
gross margin	*42%*	*54%**		*46%*
Number of stores	261	254		*257*

* Underlying margin excluding provisions movements 46%

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INTERIM REPORT

Overview

The period under review has been one of continued momentum for the Group, with growth seen across the entire product set, customer base, and geographical locations. The Group delivered profit before tax of £6.7m (H1'2021: £4.7m). The Pawnbroking and Retail segments continue to be the major contributors to our performance, supported by returning demand for gold purchasing and foreign currency.

We opened four new stores in the first half, growing the number of stores to 261. A further store opened in July with three more opening in August, and further openings are planned for the remainder of the year. We have also increased the pace of the rolling refurbishment programme for our current store estate.

We are implementing a new POS system, which will dramatically enhance customers' experience in store and is fundamental to the investment in our digital capabilities. It provides a single customer view across the product range and will enable customers to interact with us more effectively across all channels. Roll out is expected to be completed by the end of 2022.

Financial Results

The Group delivered profit before tax of £6.7m (H1'2021: £4.7m).

The Pawnbroking and Retail segments continue to be the major contributors to our performance, supported by returning demand for gold purchasing and foreign currency. The growth in the pledge book was the driver of a net increase in impairment charges as required by IFRS 9, of £6.7m (H1'2021: £1.7m), which reduces reported profits in the short term.

The Group's balance sheet remains strong with net assets of £139.1m (December 2021: £136.6m). The balance sheet is primarily underpinned by the inherent value, expressed at cost, of precious metals – mainly gold and watches – both in the form of collateral for the pledge book and in inventory.

Inventories increased to £36.1m (December 2021: £28.4m). Retail stock holding in stores is broadly flat. The significant increase in gold purchasing demand since April is the main contributor to this short-term increase in stock holding, along with higher quantities of pledged items released from the pawnbroking book. We are addressing this by investing in increased capacity at our processing centre, and in broadening contractual relationships with smelters. We expect this increase in capacity to result in inventory levels reducing in H2, with a subsequent realisation of revenue and profit.

At 30 June 2022 the Group had net debt of £8.6m (December 2021: net cash £17.6m). Cash balances and funding facilities have been deployed primarily to fund the growing pledge book and increased inventory.

Direct and administration expenses increased to £40.3m (H1'2021: £30.1m). Impairment charges expressed under IFRS9, which are included in these expenses, were £5m higher than prior year as a result of the significant increase in pledge balances. Close cost control continues to be a priority at a time of rising inflationary pressures. Employee related costs have increased by 7% this year. We continue to negotiate improved leasehold occupancy terms upon lease renewal, and the Group fixed its energy costs in December 2021 until the end of 2023.

Review of Operations

Pawnbroking

Pledge lending is the Group's core business, contributing 39% (H1'2021: 40%) to total revenue. Demand for pledge lending continued to gather momentum during the first half of 2022, 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, and lending volumes are now more than 40% in excess of pre-pandemic levels.

The pledge book grew by 27% in the period, to £85.1m (December 2021: £66.9m). As expected, the composition of the pledge book has reverted to pre-pandemic norms across customer segments and loan values. The recovery in demand for larger value loans began later than smaller value, higher yielding loans and has now fully returned.

Redemption rates remain above historic norms. However, more time is required to determine any longer-term impact of changing customer behaviour. During the second quarter of 2022 we have seen an increased propensity of customers to repay their loans and redeem their items more quickly, shortening average loan duration to 98 days (December 2021: 107 days).

Net Revenue amounted to £22.9m (H1'2021: £18.5m) an increase of 23.8% on prior year with an annualised risk adjusted margin of 61.4% (H1'2021: 73.6%). Interest margins before the impact of IFRS impairment charge are moderating as expected, as the composition of the pledge book has returned to a more normal distribution, along with the impact of shortening duration.

The average pledge lending value remains below £400, albeit the recovery in demand for larger loans has increased this average relative to the prior year. The median lending value for the first half of 2022 was £180 per loan (6 months to December 2021: £170). Average Loan to Value has remained below 65%.

Pawnbroking summary

6 months ended 30 June	2022 £'m	2021 £'m	Change %	*FY 2021*
Net pledge book – note 1	£85.1	£50.2	69.5%	*£66.9*
Average net pledge book	£77.1	£48.6	58.6%	*£53.7*
Revenue	£30.0	£20.9	43.5%	*£44.7*
Impairment charge	£7.2	£2.4	200.0%	*£7.5*
Net revenue	£22.9	£18.5	23.8%	*£37.3*
Annualised Interest margin note 2	79.2%	87.1%		*83.3%*
Annualised risk adjusted margin note 3	61.4%	73.6%		*69.5%*

Notes:

1. Includes accrued interest and impairment

2. Revenue expressed on an annualised basis as a percentage of the average net pledge book over the previous 12 months

3. Net revenue expressed on an annualised basis as a percentage of the average net pledge book over the previous 12 months

Retail

H&T is a leading retailer of high quality pre-owned jewellery and watches. We also offer customers an expanding range of new jewellery items.

Retail sales for H1'2022 grew by 67.7% to £20.8m (H1'2021: £12.4m), which generated profits of £8.7m (H1'2021: £6.7m). Margins remain above historic levels at 42% (H1'2021 underlying margin: 46%). The reduction year on year primarily reflects the sales mix between new and pre-owned products.

Sales of pre-owned products represented 82% (H1'2021: 87%) of total sales. Supply of some pre-owned jewellery categories has been constrained during and immediately following the pandemic, requiring us to source higher volumes of new jewellery. We expect this to moderate as a result of the strong pawnbroking and gold purchase performance.

Online sales continue to grow, representing 14% (H1'2021: 16%) of total sales and generating income of £2.9m (H1'2021: £2.4m). We were unable to offer retail products for sale in our stores for much of the first half of 2021 due to pandemic-related trading restrictions. The Group's strategic objective to improve our web capabilities and our customer journey remains a priority.

Gold Purchasing, Scrap and Other Services

Other services include Gold Purchasing, Pawnbroking Scrap, Foreign Currency (FX), Money Transfer, Cheque Cashing and Personal Lending.

Combined net revenue generated from Gold Purchasing, Pawnbroking Scrap, FX, Money Transfer and Cheque Cashing was up 74.5% to £8.2m (H1'2021: £4.7m), before personal loans, a product which is no longer offered, and which was a meaningful contributor in prior periods.

Gold Purchasing: The prevailing gold price has a direct impact on gold purchasing as it affects customer demand. The gold price has been elevated since February 2022. The average gold price per troy ounce during the period was £1,445 (H1'2021: £1,301) and coupled with the impact of inflation on customers disposable income, we have seen a significant increase in gold purchase volumes in recent months. Some of this volume is yet to be processed and is currently held in inventory.

Gold purchasing contributed net revenue of £2.8m (H1'2021: £1.3m) on sales of £15.1m (H1'2021: £8.0m). The gross margin also benefited from the higher gold price, rising to 19% (H1'2021: 16%).

Pawnbroking Scrap: The growing size of the pledge book has increased the volume of items, if not sold at auctions, which progresses to the scrapping process. Some of this volume is yet to be processed and is currently held in inventory.

The gross value of pawnbroking scrap sales to June 2022 was £7.1m (H1'2021: £5.2m) with gross margin of £1.4m (H1'2021: £1.0m) up 40% on the prior year, with margins remaining consistent at 19%.

Foreign Currency: With the return of international holiday travel, transaction volumes have improved and are back close to pre-pandemic levels. Gross profit grew by 160% to £2.6m (H1'2021: £1m). We have identified this market as a growth opportunity for the group

Money Transfer: Revenues remained flat at £0.8m (H1'2021: £0.8m) on slightly higher transaction volumes. This activity is a major driver of footfall to our stores.

Cheque Cashing: An increase in volumes, in part as a result of recent government related cheque issuance, increased revenue earned to £0.5m (H1'2021: £0.4m). Overall contribution remains modest as the use of cheques in the UK economy is in long term decline.

Personal Lending: Following the decision to cease all unsecured lending in the first half of 2022, the unsecured loan book has reduced to £1.8m (June 2021: £3.4m) as repayments were received and impairment provisions released accordingly.

2022 Business Focus and Outlook

We believe that the Group has an opportunity for significant growth in the medium term. This applies across our product offering. Our focus is to ensure 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 people, are and will remain the heart of our business. There are opportunities to expand the geographic coverage of our store network and we are investing both in new store openings and in refreshing existing stores. We opened four new stores in the first half of the year. A further store was opened in July with three more opening in August. This will bring the total number of stores to 265. We have a target list of potential locations. Further openings are planned for the remainder of the year and beyond, with the capital investment of a new store being relatively modest.

Digital Strategy and Customer Journey

A new Point of Sale (POS) system, known as Evo, is being deployed across the store network. Roll out will be completed in the current year. 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.

We will significantly improve and enhance our online presence. We have started with the investor relations portal which has recently been refreshed and the customer facing websites and our social media presence are both in the process of being upgraded. Our aim is to further modernise the functionality, and the look and feel. We intend to make it easier for customers to do business with us through the channel they choose.

Broadening our Business

On the 1st July 2022, the Group completed the acquisition of Swiss Time Services Limited. This is an exciting opportunity for us to bring watch expertise in house and broaden the range of services we can offer to customers. Watches represent a growing part of the business and a further growth opportunity. Watches currently represent 14% of pledge lending and 15% of retail sales by value. We believe by enhancing our capabilities in this area we can further develop this line of business leading to improved margins.

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

Macro-Economic Environment

We see the trading environment in the near term being positive 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.

Other
We expect increasing demand for foreign exchange services as overseas travel continues to rebound. With increased focus and the introduction of on-line options for customers, 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 and the impact of inflation. We are mindful of the impact of these economic factors on all our stakeholders. H&T is primarily a fixed cost business and achieving operating efficiencies will remain a key management focus while ensuring capital is invested where appropriate and where attractive returns can be achieved.

Dividend

The Board has approved an increased interim dividend of 5p (2021 interim: 4p), reflecting growing confidence in the future prospects of the Group whilst adhering to the Group's stated dividend policy of maintaining at least two times cover. The dividend will be paid on 7 October 2022 to shareholders on the share register at the close of business on 9 September 2022.

Interim Condensed Financial Statements

Unaudited Group Statement of Comprehensive Income
For the 6 months ended 30 June 2022

Continuing operations:	Note	6 months ended 30 June 2022 Total Unaudited £'000	6 months ended 30 June 2021 Total Unaudited £'000	12 months ended 31 December 2021 Total £'000
Revenue	2	77,756	51,929	121,995
Cost of sales		(30,070)	(16,619)	(45,640)
Gross profit	2	47,686	35,310	76,355
Other direct expenses		(29,470)	(21,190)	(46,251)
- *Impairment (included in the figure above)*		*(6,703)*	*(1,733)*	*(6,012)*
Administrative expenses		(10,866)	(8,917)	(18,904)
Recurring operating profit		7,350	5,203	11,200
Non-recurring expenses		-	-	(2,099)
Operating profit		7,350	5,203	9,101
Investment revenues		-	-	8
Finance costs	3	(631)	(549)	(1,247)
Profit before taxation		6,719	4,654	7,862
Tax charge on profit	4	(1,571)	(1,015)	(1,818)
Profit for the period and total comprehensive income		5,148	3,639	6,044
		Pence	**Pence**	**Pence**
Earnings per share from continuing operations				
Basic	5	13.15	9.29	15.43
Diluted	5	13.14	9.29	15.43

All profit for the period is attributable to equity shareholders.

Unaudited Group Statement of Changes in Equity
For the 6 months ended 30 June 2022

	Note	6 months ended 30 June 2022 Unaudited	6 months ended 30 June 2021 Unaudited	12 months ended 31 December 2021 Audited
		£'000	£'000	£'000
Opening total equity		136,618	134,549	134,549
Total comprehensive income for the period		5,148	3,639	6,044
Share option movement taken directly to equity		481	120	11
Dividends paid	10	(3,133)	(2,392)	(3,986)
Closing total equity		**139,114**	**135,916**	**136,618**

Unaudited Group Balance Sheet
As at 30 June 2022

	Note	At 30 June 2022 Unaudited £'000	At 30 June 2021 Unaudited £'000	At 31 December 2021 £'000
Non-current assets				
Goodwill		19,341	19,330	19,330
Other intangible assets		3,630	2,229	1,892
Property, plant, and equipment		11,955	9,721	11,101
Right-of-use assets		16,973	18,311	17,400
Deferred tax assets		1,481	2,749	1,726
		53,380	52,340	51,449
Current assets				
Inventories		36,090	28,159	28,421
Trade and other receivables		90,522	55,951	72,449
Cash and bank balances		12,711	32,493	17,638
		139,323	116,603	118,508
Total assets		192,703	168,943	169,957
Current liabilities				
Borrowings	8	(6,343)	-	-
Trade and other payables		(9,491)	(10,266)	(10,154)
Lease liabilities		(5,768)	(3,260)	(3,191)
Current tax liability		(1,094)	(919)	(375)
		(22,696)	(14,445)	(13,720)
Net current assets		116,627	102;158	104,788
Non-current liabilities				
Borrowings	8	(15,000)	-	-
Lease liabilities		(12,530)	(16,909)	(15,792)
Long term provisions		(3,363)	(1,673)	(3,827)
		(30,893)	(18,582)	(19,619)
Total liabilities		(53,589)	(33,027)	(33,339)
Net assets		139,114	135,916	136,618
Equity				
Share capital	9	1,993	1,993	1,993
Share premium account		33,486	33,486	33,486
Employee Benefit Trust shares reserve		(23)	(35)	(35)
Retained earnings		103,658	100,472	101,174
Total equity attributable to equity holders		139,114	135,916	136,618

Signed by

Chris Gillespie on behalf of the Board

Unaudited Group Cash Flow Statement

For the 6 months ended 30 June 2022

	Note	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 £'000
Net cash (utilised) /generated from operating activities	6	(15,563)	5,401	(3,035)
Investing activities				
Interest received		-	-	8
Purchases of intangible assets		(993)	(155)	(158)
Purchases of property, plant, and equipment		(4,547)	(2,325)	(5,231)
Acquisition of trade and assets of businesses		(47)	-	-
Acquisition of Right-of-use assets		(1,987)	(2,489)	(4,081)
Net cash used in investing activities		(7,574)	(4,969)	(9,462)
Financing activities				
Dividends paid		(3,133)	(2,392)	(3,986)
Increase in borrowings		15,000	-	-
Increase in overdraft		6,343	-	-
Debt restructuring costs		-	-	(332)
Net cash generated / (used in) from financing activities		18,210	(2,392)	(4,318)
Net decrease in cash and cash equivalents		(4,927)	(1,960)	(16,815)
Cash and cash equivalents at beginning of the period		17,638	34,453	34,453
Cash and cash equivalents at end of the period		12,711	32,493	17,638

Unaudited notes to the Condensed Interim Financial Statements

For the 6 months ended 30 June 2022

1. Finance information and significant accounting policies

The interim financial statements of the group for the six months ended 30 June 2022, 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 2021. The group does not anticipate any change in these accounting policies for the year ended 31 December 2022. 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 IFRSs 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 2021 is based on the statutory accounts for the year ended 31 December 2021. 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 gold purchasing.
- Personal loans interest income.
- Income from other services and
- Other income

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

Pawnbroking, or Pawn Service Charge (PSC)

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

Retail jewellery sales

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

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

The Group uses its accumulated historical experience to estimate the number of returns. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent and immaterial level of returns over previous years; as a proportion of sales H1'2022 returns were 6% (H1'2021: 6%)

Pawnbroking scrap and gold purchasing

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

Other services

Other services comprise revenues from personal loan interest income, third party cheque cashing, foreign exchange income, buyback, Western Union, and other income. Commission receivable on cheque cashing, foreign exchange income and other income is recognised at the time of the transaction as this is when control of the goods has transferred.

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

Other income

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

Gross profit

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

Other direct expenses

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

Inventories provisioning

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

2. Operating segments

Business segments

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

The principal activities by segment are as follows:

Pawnbroking:

Pawnbroking is a loan secured against a collateral (the pledge). In the case of the Group, over 99% of the collateral against which amounts are lent comprises precious metals (predominantly gold), diamonds and watches. The pawnbroking contract is a six-month credit agreement bearing a monthly interest rate of between 1.99% and 9.99%. The contract is governed by the terms of the Consumer Credit Act 2008 (previously the Consumer Credit Act 2002). If the customer does not redeem the goods by repaying the secured loan before the end of the contract, the Group is required to dispose of the goods either through public auctions if the value of the pledge is over £75 (disposal proceeds being reported in this segment) or, if the value of the pledge is £75 or under, through public auctions or the retail or pawnbroking scrap activities of the Group.

Purchasing:

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

Retail:

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

Pawnbroking scrap:

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

Other services:

This segment comprises:

- Personal loans comprise income from the Group's unsecured lending activities. Personal loan revenues are stated at amortised cost after taking into consideration an assessment on a forward-looking basis of expected credit losses.
- 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.
- The foreign exchange currency service where the Group earns a margin when selling or buying foreign currencies.
- Western Union commission earned on the Group's money transfer service.

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

Segment information for these businesses is presented below:

H1 2022 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Other Services Note 1 £'000	Other income £'000	Consolidated for the 6 months ended 30 June 2022 £'000
External revenue	30,026	15,096	20,823	7,104	4,707	-	77,756
Total revenue	30,026	15,096	20,823	7,104	4,707	-	77,756
Gross profit	30,026	2,836	8,693	1,424	4,707	-	47,686
Impairment	(7,161)	-	-	-	458	-	(6,703)
Segment Contribution	22,865	2,836	8,693	1,424	5,165	-	40,983
Other direct expenses excluding impairment							(22,767)
Administrative expenses							(10,866)
Recurring operating profit							7,350
Non-recurring expenses							-
Operating profit							7,350
Interest receivable							-
Financing costs							(631)
Profit before taxation							6,719
Tax charge on profit							(1,571)
Profit for the period and total comprehensive income							5,148

H1 2021 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Other services Note 1 £'000	Other Income Note 2 £'000	Consolidated for the 6 months ended 30 June 2021 £'000
External revenue	20,949	7,995	12,438	5,240	4,037	1,270	51,929
Total revenue	20,949	7,995	12,438	5,240	4,037	1,270	51,929
Gross profit	20,949	1,319	6,718	1,017	4,037	1,270	35,310
Impairment	(2,414)	-	-	-	681	-	(1,733)
Segment contribution	18,535	1,319	6,718	1,017	4,718	1,270	33,577

Other direct expenses excluding impairment	(19,457)
Administrative expenses	(8,917)
Recurring operating profit	5,203
Non-recurring expenses	-
Operating profit	5,203
Financing costs	(549)
Profit before taxation	4,654
Tax charge on profit	(1,015)
Profit for the period and total comprehensive income	3,639

Full year 2021 Revenue	**Pawnbroking £'000**	**Gold purchasing £'000**	**Retail £'000**	**Pawnbroking scrap £'000**	**Other services Note 1 £'000**	**Other income Note 2 £'000**	**For the year ended 31 December 2021 £'000**
External revenue	44,742	20,445	36,227	11,008	8,302	1,271	121,995
Total revenue	44,742	20,445	36,227	11,008	8,302	1,271	121,995
Gross profit	44,742	3,382	16,640	2,018	8,302	1,271	76,355
Impairment	(7,472)	-	-	-	1,460	-	(6,012)
Segment contribution	37,270	3,382	16,640	2,018	9,762	1,271	70,343
Other direct expenses excluding impairment							(40,239)
Administrative expenses							(18,904)
Recurring operating profit							11,200
Non-recurring expenses							(2,099)
Operating profit							9,101
Interest receivable							8
Financing costs							(1,247)
Profit before taxation							7,862
Tax charge on profit							(1,818)
Profit for the period and total comprehensive income							6,044

Note 1: includes Personal Loan income

Note 2: includes 2021 income from Government Grants

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 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 Audited £'000
Interest on bank loans	111	(10)	102
Other interest	-	-	1
Interest expense on the lease liability	416	501	950
Amortisation of debt issue costs	104	58	194
Total interest expense	631	549	1,247

4. **Tax charge on profit**

The taxation charge for the 6 months ended 30 June 2022 has been calculated by reference to the expected effective Corporation tax and deferred tax rates for the full financial year to end on 31 December 2022. The underlying effective full year tax charge is estimated to be 19% (six months ended 30 June 2021: 19%).

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 2022	Unaudited 6 months ended 30 June 2021	12 months ended 31 December 2021

	Earnings £'000	Weighted average number of shares	Per-share amount pence	Earnings £'000	Weighted average number of shares	Per-share amount pence	Earnings £'000	Weighted average number of shares	Per-share amount pence
Earnings per share - basic	5,148	39,164,667	13.15	3,639	39,162,612	9.29	6,044	39,162,612	15.43
Effect of dilutive securities									
Options	-	6,889	(0.00)	-	-	-	-	-	-
Earnings per share diluted	5,148	39,171,556	13.14	3,639	39,162,612	9.29	6,044	39,162,612	15.43

6. Notes to the Cash Flow Statement

	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 £'000
Profit for the year	5,148	3,639	6,044
Adjustments for:			
Investment revenues	-	-	(8)
Financing costs	631	549	1,247
(Decrease)/Increase in provisions	(463)	24	2,178
Income tax expense	1,571	1,015	1,818
Depreciation of property, plant and equipment	1,483	1,250	2,666
Depreciation of right-of-use assets	2,415	2,517	5,071
Amortisation of intangible assets	389	655	995
Right of use asset Impairment	-	-	(179)
Share-based payment expense	262	134	55
Loss on disposal of property, plant and equipment	9	11	38
Loss on disposal of Right of use assets	-	-	3
Operating cash flows before movements in working capital	11,445	9,794	19,928
Increase in inventories	(7,653)	(595)	(857)
Decrease in other current assets	-	1	1
Increase in receivables	(18,024)	(200)	(15,574)
Decrease in payables	(300)	(917)	(2,009)
Cash (utilised) / generated from operations	(14,532)	8,083	1,489
Income taxes paid	(400)	(2,010)	(3,349)
Interest paid on loan facility	(215)	(170)	(225)
Interest paid on lease liability	(416)	(502)	(950)
Net cash (utilised) / generated from operating activities	(15,563)	5,401	(3,035)

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

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

EBITDA

EBITDA is a non IFRS9 measure 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 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 Audited £'000
Operating profit	7,350	5,203	9,101
(i) Depreciation of the right-of-use assets	2,415	2,516	5,071
(ii) Depreciation and amortisation- other	1,872	1,905	3,660
(iii) Impairment of the right-of-use-assets	-	-	(179)
EBITDA	11,637	9,624	17,653

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

8. Borrowings

	6 months ended 30 June 2022 Unaudited £'000	6 months ended 30 June 2021 Unaudited £'000	12 months ended 31 December 2021 Audited £'000
Secured borrowing at amortised cost			
Bank loans and overdrafts	6,342	-	-
Total borrowings due for settlement within one year	6,342	-	-
Long term portion of bank loan	15,000	-	-
Amount due for settlement after more than one year	15,000	-	-

9. Share capital

	At 30 June 2022 Unaudited	At 30 June 2021 Unaudited	At 31 December 2021 Audited
Issued, authorised and fully paid (Ordinary Shares of £0.05 each)			
£'000 Sterling	1,993	1,993	1,993
Number	39,864,077	39,864,077	39,864,077

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

10. Dividends

On 8 August 2022, the directors approved a 5 pence interim dividend (30 June 2021: 4 pence) which equates to a dividend payment of £1,958,000 (30 June 2021: £1,595,000). The dividend will be paid on 7 October 2022 to shareholders on the share register at the close of business on 9 September 2022 and has not been provided for in the 2022 interim results. The shares will be marked ex-dividend on 8 September 2022.

11. Post Balance sheet event

On 1 July 2022, the company acquired Swiss Time Services Limited, a leading independent watch servicing and repair centre for a total consideration of £4.3 million, inclusive of a net cash balance of £0.5m which is subject to an adjustment mechanism.