

H&T Group plc

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

H&T ANNOUNCES STRONG RESULTS

H&T Group plc, which trades under the H&T Pawnbrokers brand, today announces its interim results, for the six months ended 30 June, 2011.

John Nichols, Chief Executive, commented: *"We are delighted to report another excellent set of results, with profit before tax of £10.3m for the first six months of 2011. Trading has been especially strong in the Group's core pawnbroking operations with year on year increases in the key performance indicators of both lending and redemption. As a result, the gross pledge book has risen to £41.2m as at 30 June 2011 and the Group has delivered a 14% increase in its key revenue stream, the Pawn Service Charge.*

Performance of the stores added in recent years continues to be excellent and supports the Board's view of the growth potential they offer. We have opened 15 new stores year to date, including the achievement of a significant milestone for the Group with the recent opening of our 150th store. In addition the Group currently has 45 Gold Bar retail mall units.

The outlook remains positive and on the basis of the current gold price we are pleased to announce our expectation for full year results to be above the top end of current market forecasts. The Board has approved an interim dividend of 3.75 pence, which itself represents compound growth of 23% per annum since flotation."

FINANCIAL HIGHLIGHTS

- Profit before tax of £10.3m (H1 2010: £9.6m, excluding working capital gain of £4.9m)
- Net debt of £31.3m (30 Jun 2010: £30.4m). Interest charges of £0.8m (H1 10: £1.7m)
- Pledge book increased by 10.5% to £41.2m (30 Jun 2010: £37.3m)
- Pawn Service Charge increased 14.3% to £13.2m (H1 10: £11.5m)
- Basic EPS of 21.21p (H1 10: 19.52p, excluding working capital gain)
- Increase in interim dividend to 3.75p (2010 interim: 2.50p + 1.00p special)

OPERATIONAL HIGHLIGHTS

- 11 new stores opened taking the total store estate to 146 as at 30 June 2010 (H1 2010: 128 stores); 4 additional stores opened post 30 June and provisional lease terms are agreed on a further 6 stores
- Converted 6 retail mall units into new style 'Gold shops' or 'H&T Lite' stores
- Launched an on-line pay day loans product and deployed H&T's new underwriting model in store thus accessing a wider customer base
- Enhanced central pricing and central distribution capabilities

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H&T Group plc

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Report of the Chief Executive Officer and Finance Director

We are pleased to report another excellent trading performance for the period to 30 June 2011. The Group has retained its position as a leading UK pawnbroker through further new store expansion, improved brand recognition and a continued focus on delivering excellent customer service. The pawnbroking industry itself also continues to benefit from the rising gold price and a wider recognition in the UK of gold as a source of value, particularly in these times of economic uncertainty.

Taking advantage of these conditions and the strong cash generation from the Group's gold purchasing activities, the Group has achieved continued expansion in the store estate. Eleven stores were opened during H1 11, with a further four year to date, including the opening of the Group's 150th store on 6 August 2011. Of the combined fifteen store openings, fourteen were greenfield sites and one was an acquisition for a total consideration of £0.18m.

Financial Performance

The Group delivered £10.0m of profit before tax pre swap fair value movement in H1 11. This compares to £15.2m in H1 10 when trading and results during this period benefited from 'one-off' factors, as disclosed in the Group's 2010 annual report and interim statement. The primary factor enhancing the prior year result was the inclusion of £4.9m of gross profit delivered via working capital gains in H1 10. Of this gain, £2.8m was delivered via shortening the time to process gold and was recorded in gold purchasing profits, and a further £2.1m was recorded in pawnbroking scrap as the Group reduced its aged pledge balances.

The underlying financial performance in H1 11 has exceeded both the Board and market expectations set at the beginning of the year. Gross profit derived from the Group's pawnbroking operations (Pawn Service Charge, Retail and Pawnbroking Scrap) rose to £20.1m (H1 10: £19.8m excluding £2.1m realised via delayed auctions) and now accounts for 66% of gross profits. The key component, the Pawn Service Charge grew 14% year on year to £13.2m (H1 10: £11.5m).

The Group's disposition activities continue to benefit from both the higher absolute gold price and the rising price environment. Gold purchasing profits contributed £7.5m in the period (H1 10: £12.6 including £2.9m working capital gain).

The Group's financial position remains strong with net debt of £31.3m as at 30 June 2011 (30 Jun 10: £30.4m). Interest costs are also substantially reduced year on year, from £1.7m in H1 10 to £0.8m in H1 11, benefiting from both a lower average debt level and a lower margin. Cashflow in the period was impacted by an increase in inventory, as shown on the Group balance sheet, due to stock build for both new stores and an improved central distribution capability. The Group has adequate liquidity to fund both the capital expenditure and working capital requirements of its new store opening programme, as it currently has available a £50m revolving facility.

Pre-working capital gains made in H1 10, basic earnings per share increased by 8.7% to 21.21p (H1 10: 29.37p actual, 19.52p excluding £4.9m working capital gain).

Dividend

The directors have approved an interim dividend of 3.75 pence (2010 interim: 3.50 pence, including 1.00 pence special dividend). This will be payable on 14 October 2011 to all shareholders on the register at the close of business on 16 September 2011. During the last twelve months, the Group's dividend has been covered 4.1x by earnings.

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Review of Operations

Pawn Service Charge and Pawnbroking Scrap:

- The Pawn Service Charge grew 14% year on year to £13.2m (H1 10: £11.5m), driven by both a period of record lending and an improved redemption ratio year on year.
- Continued strong demand for our services and an increased average loan, supported by the current gold price, has resulted in the Group's pledge book increasing by 10% to £41.2m (30 Jun 10: £37.3m).
- Despite the continued competitive environment, whether from other pawnbrokers or the continued availability of gold purchasing as a choice for the consumer, like-for-like lending grew by 8%.
- The performance of the Group's store openings over the last 12 months continues to be ahead of the original forecasts approved by the Board.
- Pawnbroking scrap profits realised were £2.6m (H1 10: £6.4m, including £2.1m profits realised from delayed 2009 auctions).

Retail:

- In a challenging retail environment, and given the underlying price and therefore affordability of gold, the Board is pleased to report a 7% increase in retail gross profits from £4.0m in H1 10 to £4.3m in H1 11.
- Like-for-like sales were down 12% year on year, but a gross margin improvement from 46% to 50% has recovered much of this shortfall.
- As in 2010, the retail sales trend leading into H2 is positive, and the Group believe that with improved pricing, distribution and management information that this trend can be maintained into the important Christmas trading period.
- Retail remains a key disposition route for unredeemed stock, while the option to scrap surplus stock remains a viable alternative. H&T's stock balance, of which the vast majority is second hand gold, is held at cost to the Group, which in turn is substantially less than the current spot price of gold.

Gold Purchasing:

- H&T became one of the first companies with a nationwide high street presence to take advantage of the significant spike in gold purchasing volumes in late 2009 / early 2010. During this period, the Group demonstrated speed and flexibility in rolling out its innovative Gold Bar retail mall units, and was able to benefit both financially and operationally, from this first mover advantage.
- Gold purchasing trends since mid-2010 have remained steady with customer numbers being broadly consistent over the last 12 months. The Group continues to see gold purchasing as a steady source of cashflow and profitability for the Group, albeit at levels lower than the 'exceptional' period in H1 10.
- Gross profits from the Group's gold purchasing operations contributed £7.5m in H1 11, (H1 10: £9.7m excluding £2.9m of working capital gain).
- The Group's Gold Bar retail mall unit operation continues to be a success, with regard both profitability and as a means of testing the local market for further expansion. As at 30 June 2011, the Group had 45 Gold Bar units.
- This business segment continues to benefit from the higher absolute price of sterling gold and the rising price environment. On average the gold price per troy ounce was £894 during H1 11 (H1 10: £757) and has risen by an average of 1.8% per month from January 2011 to June 2011.

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Financial services:

- In H1 2011 the Group's financial services activities contributed £2.8m (H1 10: £2.6m) or 9.2% of Group gross profit (H1 10: 7.0%). The increase was driven evenly across the Group's three key products: Third Party Cheque Cashing, Pay Day Loans and the longer term, KwikLoan product.
- Gross commission earned from third party cheque cashing was broadly stable year on year, reversing the years of decline in this product. The Group is also pleased to report on the major decision taken by the Payments Council recently in having decided to withdraw its target end date to close the centralised cheque clearing system in the UK.
- Revenues generated by the Group's pay day advance product have been impacted by the gradual withdrawal of the cheque guarantee card, but net revenues have increased year on year due to improvements in debt recovery.
- Further underwriting improvements will allow the Group to widen its distribution of the pay day advance product, and the Group has recently launched an on-line pay day loans product, charging on average, half the interest cost of its competitors in this market.

Trading outlook

The outlook for the Group continues to be positive. For the current financial year, the Board believes that the overall trading performance will result in full year profits being above the top end of current market expectations. Looking further forward, the Group still holds excellent prospects for organic growth in pawnbroking as the store estate is still relatively immature. The average size of a pledge book for the Group's pre-2005 stores is over 3.5x greater than the average of the post 2005 greenfield stores, demonstrating the considerable growth potential existing in these newer stores as their pledge books continue to grow to a size more consistent with the estate average.

Depending on market conditions, future growth is also likely to be driven via expansion of the Group's geographical footprint, either via development of greenfield sites or acquisitions. The Board currently expect to open a total of 25 stores in the current financial year.

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Interim Condensed Financial Statements

Unaudited statement of comprehensive income For the 6 months ended 30 June 2011

	Note	6 months ended 30 June 2011 Total Unaudited £'000	6 months ended 30 June 2010 Total Unaudited £'000	12 months ended 31 Dec 2010 Total Unaudited £'000
Revenue	2	55,604	70,991	126,397
Cost of sales	2	(25,290)	(33,901)	(59,637)
Gross profit		30,314	37,090	66,760
Other direct expenses		(14,470)	(14,814)	(29,790)
Administrative expenses		(4,965)	(5,370)	(8,329)
Operating profit	3	10,879	16,906	28,641
Investment revenues		1	2	1
Finance costs	5	(832)	(1,664)	(2,606)
Movement in fair value of interest rate swap		237	(763)	(533)
Profit before taxation		10,285	14,481	25,503
Tax on profit	6	(2,777)	(4,073)	(8,316)
Total comprehensive income for the period		7,508	10,408	17,187
		Pence	Pence	Pence
Earnings per ordinary share - basic	7	21.21	29.37	48.77
Earnings per ordinary share - diluted	7	20.71	29.12	47.52

All results derive from continuing operations.

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Unaudited condensed consolidated statement of changes in equity For the 6 months ended 30 June 2011

	6 months ended 30 June 2011 Unaudited £'000	6 months ended 30 June 2010 Unaudited £'000	12 months ended 31 December 2010 Audited £'000
Opening total equity	61,681	47,055	47,055
Total comprehensive income for the period	7,508	10,408	17,187
Issue of share capital	212	130	486
Share option credit taken directly to equity	125	100	149
Deferred Tax on share options taken directly to equity	213		31
Dividends paid	9 (2,136)	(1,985)	(3,227)
Employee Benefit Trust shares	(12)	-	-
Closing total equity	67,591	55,708	61,681

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Unaudited condensed consolidated balance sheet At 30 June 2011

	Note	At 30 June 2011 Unaudited £'000	At 30 June 2010 Unaudited £'000	At 31 December 2010 Audited £'000
Non-current assets				
Goodwill		16,825	16,806	16,825
Other intangible assets		873	915	978
Property, plant and equipment		11,906	10,653	10,751
Deferred tax assets		550	1,238	281
		<u>30,154</u>	<u>29,612</u>	<u>28,835</u>
Current assets				
Inventories		28,118	21,211	24,100
Trade and other receivables		52,812	50,491	50,159
Cash and cash equivalents		2,664	2,631	4,029
		<u>83,594</u>	<u>74,333</u>	<u>78,288</u>
Total assets		<u>113,748</u>	<u>103,945</u>	<u>107,123</u>
Current liabilities				
Trade and other payables		(7,592)	(8,836)	(8,623)
Current tax liabilities		(3,283)	(4,927)	(4,361)
Borrowings		-	-	-
Derivative financial instruments		(735)	(1,201)	(972)
		<u>(11,610)</u>	<u>(14,964)</u>	<u>(13,956)</u>
Net current assets		<u>71,984</u>	<u>59,369</u>	<u>64,332</u>
Non-current liabilities				
Borrowings	4	(34,000)	(33,000)	(31,000)
Deferred tax liabilities		-	-	-
Provisions		(547)	(273)	(486)
		<u>(34,547)</u>	<u>(33,273)</u>	<u>(31,486)</u>
Total liabilities		<u>(46,157)</u>	<u>(48,237)</u>	<u>(45,442)</u>
Net assets		<u>67,591</u>	<u>55,708</u>	<u>61,681</u>
EQUITY				
Share capital	8	1,799	1,773	1,782
Share premium account		24,751	24,209	24,556
Employee Benefit Trust share reserve		(25)	(13)	(13)
Retained earnings		41,066	29,739	35,356
		<u>67,591</u>	<u>55,708</u>	<u>61,681</u>
Total equity attributable to equity holders of the parent		<u>67,591</u>	<u>55,708</u>	<u>61,681</u>

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Unaudited condensed consolidated cash flow statement For the 6 months ended 30 June 2011

	Note	6 months ended 30 June 2011 Unaudited £'000	6 months ended 30 June 2010 Unaudited £'000	12 months ended 31 December 2010 Audited £'000
Cash flows from operating activities				
Profit for the period		7,508	10,408	17,187
Adjustments for:				
Investment revenues		(1)	(2)	(1)
Finance costs		832	1,664	2,606
Movement in fair value of interest rate swap		(237)	763	533
Movement in provisions		61	105	318
Income tax expense		2,777	4,073	8,316
Depreciation of property, plant and equipment		1,154	1,148	2,350
Amortisation of intangible assets		105	132	244
Share based payment expense		125	144	149
Loss on disposal of fixed assets		66	96	207
Operating cash inflows before movements in working capital		12,390	18,531	31,909
(Increase)/decrease in inventories		(4,018)	1,818	(1,035)
Increase in receivables		(2,653)	(1,859)	(1,411)
(Decrease)/increase in payables		(1,674)	1,551	1,838
Cash generated from operations		4,045	20,041	31,301
Income taxes paid		(3,913)	(3,076)	(6,852)
Interest paid		(861)	(1,088)	(2,033)
Net cash used in/(from) operating activities		(729)	15,877	22,416
Investing activities				
Interest received		1	2	1
Purchases of property, plant and equipment		(1,701)	(2,114)	(3,970)
Purchase of intangible assets		-	-	(115)
Acquisition of trade and assets of business		-	-	(283)
Net cash used in investing activities		(1,700)	(2,112)	(4,367)
Financing activities				
Dividends paid	9	(2,136)	(1,985)	(3,227)
Proceeds on issue of shares		212	130	486
Net increase / (decrease) in borrowings		3,000	(11,500)	(13,500)
Loan to the Employee Benefit Trust for acquisition of own shares		(12)	-	-
Net cash from financing activities		1,064	(13,355)	(16,241)
Net increase / (decrease) in cash and cash equivalents		(1,365)	410	1,808
Cash and cash equivalents at beginning of period		4,029	2,221	2,221
Cash and cash equivalents at end of period		2,664	2,631	4,029

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Unaudited notes to the condensed interim financial statements For the 6 months ended 30 June 2011

Note 1 Basis of preparation

The interim financial statements of the Group for the six months ended 30 June 2011, 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 2010. The Group does not anticipate any change in these accounting policies for the year ended 31 December 2011. As permitted, this interim report has been prepared in accordance with the AIM rules and 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 IFRSs.

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 2010 is based on the statutory accounts for the year ended 31 December 2010. 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.

After conducting a further review of the Group's forecasts of earnings and cash over the next twelve months and after making appropriate enquiries as considered necessary, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half yearly condensed financial statements.

Note 2 Segmental Reporting

Revenue 6 months ended 30 June 2011 Unaudited	6 months ended 30 June 2011 Unaudited	6 months ended 30 June 2010 Unaudited	Year ended 31 December 2010 Audited
	Total £'000	Total £'000	Total £'000
Pawn Service Charge	13,168	11,516	23,181
Retail	8,512	8,636	19,558
Pawnbroking Scrap	8,484	14,000	22,301
Gold Purchasing	22,655	34,244	55,712
Cheque Cashing	2,500	2,364	5,120
Other Financial Services	285	231	525
Total Revenue	55,604	70,991	126,397
Gross Profit 6 months ended 30 June 2011 Unaudited	6 months ended 30 June 2011 Unaudited	6 months ended 30 June 2010 Unaudited	Year ended 31 December 2010 Audited
	Total £'000	Total £'000	Total £'000
Pawn Service Charge	13,168	11,516	23,181
Retail	4,262	3,980	8,785
Pawnbroking Scrap	2,643	6,413	9,042
Gold Purchasing	7,456	12,586	20,107
Cheque Cashing	2,500	2,364	5,120
Other Financial Services	285	231	525
Total Gross Profit	30,314	37,090	66,760

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Unaudited notes to the condensed interim financial statements (continued) For the 6 months ended 30 June 2011

Note 3 Operating profit and EBITDA

EBITDA

The Board considers EBITDA as a key measure of the Group's financial performance.

EBITDA 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 2011 Unaudited	6 months ended 30 June 2011 Unaudited	6 months ended 30 June 2010 Unaudited	Year ended 31 December 2010 Audited
	Total £'000	Total £'000	Total £'000
Operating profit	10,879	16,906	28,641
Depreciation	1,154	1,148	2,350
Amortisation	105	132	244
EBITDA	<u>12,138</u>	<u>18,186</u>	<u>31,235</u>

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Unaudited notes to the condensed interim financial statements (continued) For the 6 months ended 30 June 2011

Note 4 Borrowings

	6 months ended 30 June 2011 Unaudited £'000	6 months ended 30 June 2010 Unaudited £'000	Year ended 31 December 2010 Audited £'000
Secured borrowing at amortised cost			
Bank loans	34,000	33,000	31,000
Unamortised issue costs	-	-	-
Total borrowings	<u>34,000</u>	<u>33,000</u>	<u>31,000</u>
Short term portion of bank loan	-	-	-
Unamortised issue costs	-	-	-
Amount due for settlement within one year	<u>-</u>	<u>-</u>	<u>-</u>
Long term portion of bank loan	34,000	33,000	31,000
Unamortised issue costs	-	-	-
Amount due for settlement after more than one year	<u>34,000</u>	<u>33,000</u>	<u>31,000</u>

Note 5 Finance costs

	6 months ended 30 June 2011 Unaudited £'000	6 months ended 30 June 2010 Unaudited £'000	Year ended 31 December 2010 Audited £'000
Interest payable on bank loans and overdraft	832	1,123	2,069
Other interest	-	4	-
Amortisation of debt issue costs	-	-	-
Write off of loan issue costs	-	537	537
Total finance costs	<u>832</u>	<u>1,664</u>	<u>2,606</u>

Note 6 Tax on profit

The taxation charge for the 6 months ended 30 June 2011 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 2011. The underlying effective full year tax charge is estimated to be 26.6% (year ended 31 December 2010: 28.1%).

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Unaudited notes to the condensed interim financial statements (continued) For the 6 months ended 30 June 2011

Note 7 Earnings per share

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

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 granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

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 2011			Unaudited 6 months ended 30 June 2010			Audited Year ended 31 December 2010		
	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	7,508	35,393,625	21.21	10,408	35,439,612	29.37	17,187	35,240,321	48.77
Effect of dilutive securities									
Options	-	857,520	(0.50)	-	298,193	(0.25)	-	928,658	(1.25)
Earnings per share diluted	7,508	36,251,145	20.71	10,408	35,737,805	29.12	17,187	36,168,979	47.52

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Unaudited notes to the condensed interim financial statements (continued) For the 6 months ended 30 June 2011

Note 8 Share capital

	At 30 June 2011 Unaudited	At 30 June 2010 Unaudited	At 31 December 2010 Audited
Allotted, called up and fully paid (Ordinary Shares of £0.05 each)			
£'000 Sterling	1,799	1,773	1,782
Number	35,973,032	35,461,168	35,631,827

Note 9 Dividends

On 18 August 2011, the directors approved a 3.75 pence interim dividend (30 June 2010: 3.50 pence, including a 1.00 pence special dividend) which equates to a dividend payment of £1,349,000 (30 June 2010: £1,242,000). The dividend will be paid on 14 October 2011 to shareholders on the share register at the close of business on 16 September 2011 and has not been provided for in the 2011 interim results.

On 21 April 2011, the shareholders approved the payment of a 6.00 pence final dividend for 2011 which equates to a dividend payment of £2,136,000 (2010: £1,985,000). The dividend was paid on the 2 June 2011.