H&T Group plc

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

H&T Group plc, which trades under the H&T Pawnbrokers and est1897 brands, today announces its interim results for the six months ended 30 June 2015.

John Nichols, Chief Executive, commented: "We are pleased with the improved performance and ongoing development of the Group in the first half of the year. The trading environment remains challenging although the competitive landscape is now easing with the continued closure of competitors' stores.

The 30% increase in profit before tax in the first half is encouraging, driven by the stabilisation of pawnbroking income and growth in retail, personal loans and other services. This growth was achieved through continued investment in our people to support the development of new initiatives and systems.

Fluctuations in the gold price inevitably impact the Group's financial performance. Our evolving business model, with a strong focus on the development of our retail offering as well as the broadening of our other product offerings and services, is helping us to mitigate the impact of gold price volatility. Allowing for the recent reduction in gold price, we currently expect the full year results to be broadly in line with current market expectations."

KEY FINANCIAL RESULTS

- Profit before tax up 30% to £2.6m (H1 2014: £2.0m)
- Basic EPS of 5.53p (H1 2014: 3.98p)
- Net debt reduced by 34.0% to £8.9m (30 June 2014: £13.5m)
- Pledge book decreased by 2.9% to £37.4m (30 June 2014: £38.5m)
- Pawn Service Charge maintained at £14.3m (H1 2014: £14.3m)
- Interim dividend of 3.5p (2014 interim: 2.1p)

OPERATIONAL HIGHLIGHTS

- Improved pricing and discount strategy leading to retail gross profit growth of 9.1% to £4.8m (H1 2014: £4.4m)
- Personal loans systems and underwriting improvements coupled with in-store promotion drove 50% gross profit growth to £1.2m (H1 2014: £0.8m)
- Effective development of FX and Buyback products

REPORT OF THE CHIEF EXECUTIVE AND FINANCE DIRECTOR

Introduction

Market conditions remain challenging with a low gold price, an uncertain regulatory environment and high levels of competition for our services on the high street. However, the number of stores in the sector is reducing and we would expect this to continue for the remainder of the year.

The Group delivered £2.6m profit before tax for the first half compared with £2.0m in H1 2014, an increase of 30.0%. This improvement is principally the result of growth in the Retail, Personal Loan and Other Services revenues.

The Group's operational performance has been strong with the effective development of the newer product lines of Personal Loans, Buyback and FX. The Group's online development continues with the implementation of a new website incorporating new branding, a simpler customer journey and more functionality to help customers access our services.

Financial performance

Gross profit increased by 5.0% to £22.9m (H1 2014: £21.8m) with the increase driven by improvements in Retail, Personal Loans and Other Services.

Total direct and administration costs increased 2.6% from £19.4m to £19.9m principally as a result of the full year effect of new stores opened in 2014 and investment in staff to support new initiatives.

We have maintained our focus on sound cash flow and balance sheet management. The Group is cash generative, with net debt further reduced to £8.9m at 30 June 2015 (30 June 2014: £13.5m); a leverage ratio of 0.9x, well within the covenant test of 3.0x.

The Group has closed one store in the year resulting in 190 trading units at 30 June 2015. In light of the current trading environment a small number of stores are expected to close in the remainder of the year.

Dividend

The directors have approved an interim dividend of 3.5 pence (2014 interim: 2.1 pence). This will be payable on 9 October 2015 to all shareholders on the register at the close of business on 11 September 2015.

REVIEW OF OPERATIONS

Pawnbroking

The pledge book reduced to £37.4m (30 June 2014: £38.5m) as a result of the competitive environment, improved redemption and a reduction in aged pledge.

Pawn Service Charge was £14.3m (H1 2014: £14.3m); the interest component of the Pawn Service Charge was £14.2m (H1 2014: £14.0m) which more accurately reflects the underlying performance of the pawnbroking segment than the total Pawn Service Charge. The yield on the pledge book has increased due to the higher average interest rate, improved redemption and the improved ageing profile of the book.

The pawnbroking market remains challenging against a background of a low gold price and high levels of competition. We believe that to succeed in this market we must provide excellent service and have the ability to lend on a wide range of assets.

In H2 2014 the Group implemented “Expert Eye”, a system which enables high definition magnified images of gemstones and watches to be sent from a store to our centre of excellence at the jewellery centre where the images are assessed and with telephone support the store is able to make a better loan decision. More than 2,000 enquiries per month are now handled by the system to support the stores in effective lending decisions.

During H2 2015 we intend to automate aspects of the item identification and valuation processes to improve both the in-store and online service. This will allow H&T to use a number of internal and external data sources to support a valuation, improving both speed and accuracy.

Pawnbroking scrap

Pawnbroking scrap produced gross profits of £0.1m (H1 2014: £0.2m loss) for the half year, on sales of £4.2m (H1 2014: £7.2m). This performance is in line with expectations as we did not expect to make substantial gains or losses based on historic lending and the gold price during H1 2015.

We do not expect margins on pawnbroking scrap to return to historic levels as we seek to maintain a competitive proposition on lending and support the pledge book. The average gold price during the half year was £791 per troy oz; at 12 August 2015 the gold price had fallen to £717 which will reduce revenues from pawnbroking scrap during the second half.

Retail

The Group considers a successful retail offering to be a core part of our Group proposition. Pawnbroking and Gold Purchasing generate significant amounts of saleable jewellery which must be sold. While higher historic gold prices provided a reasonable return from scrapping gold, this disposition route is not suitable for gemset items or watches. The ability to sell items rather than scrap them also provides a higher return and reduces the Group’s exposure to short term gold price volatility.

Retail sales increased by 1.5% to £13.4m (H1 2014: £13.2m) and gross profits increased by 9.1% to £4.8m (H1 2014: £4.4m). The improvement was the result of the introduction of the est1897 Discount Secondhand Jewellers proposition and improved margins in H&T stores.

Purchasing

Gold purchasing profits fell from £1.3m in H1 2014 to £1.0m in H1 2015. The reduction was caused by reduced volumes and margin pressure in approximately equal measure.

Gold purchasing can be an effective way of introducing customers to the business for the first time, indeed the number of new customers to purchasing is approximately double the number to pawnbroking.

H&T has positioned itself as the market leader in gold purchasing with fair and consistent pricing coupled with excellent customer service. We estimate that the weight of fine gold purchased increased by 0.7% from H1 2014 to H1 2015 with positive recent trends.

The Group is also testing alternative routes to market to improve margins. As a result of these tests the Group stockholding is £2.6m higher than last year at 30 June 2015. We would expect this to return to normal levels during H2 2015.

Personal Loans

Personal Loans gross profits increased from £0.8m to £1.2m in H1 2015; the loanbook net of provisions at 30 June 2015 was £3.4m (30 June 2014: £2.6m).

The Group considers the development of the Personal Loan product in-store and online to be a significant opportunity. H&T's personal loan allows for loans of up to £2,000 over any term of up to two years based on affordability. Approximately 80% of the loans issued by the Group fell under the definition of high-cost short-term credit (HCSTC) during H1 2015 and as such must comply with additional rules under the new Financial Conduct Authority (FCA) regulatory regime.

The Group has positioned the product to be cheaper and more flexible than most comparable loans in the market and has applied robust affordability assessments including a manual review of each loan application. The Group intends to reduce the proportion of HCSTC loans over time as we develop lower cost, longer term loans for our customers.

We expect the new website, improved search engine optimisation, digital marketing and our presence on price comparison websites to increase volumes during H2 2015.

Other Services

The new products of Western Union, Foreign Exchange and Buyback have collectively contributed £1.0m in H1 2015 (H1 2014: £0.6m) and brought a significant number of new customers to H&T. FX and Buyback delivered the majority of the growth with an increase in gross profit of £0.2m each.

Buyback has been a particular success as part of the "We buy anything" proposition as the value purchased increased from £1.2m in H1 2014 to £2.5m in H1 2015. This improvement was achieved through simplification of the in-store valuation process using a new computer system and a measured extension to the assets accepted.

REGULATION

The Financial Conduct Authority

The regulation of Consumer Credit moved from the Office of Fair Trading to the FCA on 1 April 2014. The Group has obtained interim permission from the FCA and submitted its application for authorisation in February 2015.

The Group has appointed a head of compliance and established a risk committee comprised of independent non-executive directors to oversee the compliance framework and our preparation for authorisation. Our non-executive directors have extensive experience with the regulatory requirements of the FCA and its predecessor and provide valuable support and insight into the new regime.

High-cost short-term cost cap

On 1 January 2015 the FCA implemented its cap on the interest rate and charges that apply to high-cost short-term credit (HCSTC). The proposals provide for:

- a maximum charge of 0.8% per day on the amount borrowed
- a maximum of £15 fees on default
- a cap on the total costs incurred equal to the amount of credit provided

The definition of HCSTC is broad but provides a specific exemption for pawnbroking and certain other credit products at present. We do not expect the cap to apply to pawnbroking in the near term.

The Group is well positioned for the new regulatory environment both in terms of our detailed preparation and the range of products we offer.

THE MARKET

The main factors in the market remain a low gold price, the level of competition and the changing regulatory environment. These factors have combined to reduce earnings and increase uncertainty among the various operators in our sector.

The low gold price has reduced returns, particularly in recently established stores and led to a reduction in the number of stand-alone gold buying units. The regulations in respect of HCSTC have materially altered the profitability of pay day loans and similar products and led businesses with a significant bias to that product to close stores. We anticipate that by the end of the year the two largest pay day loan operators will have less than half the stores they had at their peak.

H&T planned for a lower gold price and prepared for the changes in regulation relating to HCSTC. We believe that we have a successful and compliant suite of products that can effectively address this changing marketplace and enable the business to serve the customers who will be displaced by our competitors' store closures.

STRATEGY AND OUTLOOK

The Group believes that the demand for small sum, short term cash loans remains strong and by increasing the range of assets it accepts, by expanding Personal Loans and Other Services both in-store and online we will be ideally positioned to grow as the market adjusts in the next year.

Current trading is in line with management's expectations for 2015. Allowing for the recent reduction in gold price, we currently expect the full year results to be broadly in line with current market expectations.

Interim Condensed Financial Statements

Unaudited statement of comprehensive income

For the 6 months ended 30 June 2015

	Note	6 months ended 30 June 2015 Total Unaudited £'000	6 months ended 30 June 2014 Total Unaudited £'000	12 months ended 31 December 2014 Total Audited £'000
Revenue	2	40,797	43,820	87,696
Cost of sales		(17,922)	(22,049)	(42,019)
Gross profit	2	**22,875**	**21,771**	**45,677**
Other direct expenses		(15,751)	(15,471)	(31,627)
Administrative expenses		(4,167)	(3,924)	(7,833)
Operating profit	3	**2,957**	**2,376**	**6,217**
Investment revenues		1	-	1
Finance costs	5	(334)	(355)	(708)
Profit before taxation		**2,624**	**2,021**	**5,510**
Tax on profit	6	(626)	(583)	(1,255)
Total comprehensive income for the period		**1,998**	**1,438**	**4,255**
		Pence	**Pence**	**Pence**
Earnings per ordinary share - basic	7	**5.53**	**3.98**	**11.78**
Earnings per ordinary share - diluted	7	**5.52**	**3.98**	**11.78**

All results derive from continuing operations.

Unaudited condensed consolidated statement of changes in equity

For the 6 months ended 30 June 2015

	Note	6 months ended 30 June 2015 Unaudited £'000	6 months ended 30 June 2014 Unaudited £'000	12 months ended 31 December 2014 Audited £'000
Opening total equity		90,863	88,128	88,128
Total comprehensive income for the period		1,998	1,438	4,255
Share option credit taken directly to equity		70	143	246
Dividends paid	9	(996)	(995)	(1,769)
Employee Benefit Trust shares		-	12	3
Closing total equity		**91,935**	**88,726**	**90,863**

Unaudited condensed consolidated balance sheet

At 30 June 2015

	Note	At 30 June 2015 Unaudited £'000	At 30 June 2014 Unaudited £'000	At 31 December 2014 Audited £'000
Non-current assets				
Goodwill		17,707	17,739	17,707
Other intangible assets		893	1,204	1,056
Property, plant and equipment		9,059	11,312	9,954
Deferred tax assets		528	747	527
		28,187	31,002	29,244
Current assets				
Inventories		32,088	29,549	29,500
Trade and other receivables		48,187	48,932	49,423
Cash and cash equivalents		7,929	7,359	8,250
		88,204	85,840	87,173
Total assets		116,391	116,842	116,417
Current liabilities				
Trade and other payables		(5,825)	(5,656)	(6,053)
Current tax liabilities		(602)	(579)	(328)
Borrowings	4	(1,755)	(1,796)	(1,925)
		(8,182)	(8,031)	(8,306)
Net current assets		**80,022**	**77,809**	**78,867**
Non-current liabilities				
Borrowings	4	(14,835)	(18,681)	(15,758)
Provisions		(1,439)	(1,404)	(1,490)
		(16,274)	(20,085)	(17,248)
Total liabilities		(24,456)	(28,116)	(25,554)
Net assets		**91,935**	**88,726**	**90,863**
EQUITY				
Share capital	8	1,843	1,843	1,843
Share premium account		25,409	25,409	25,409
Employee Benefit Trust share reserve		(35)	(26)	(35)
Retained earnings		64,718	61,500	63,646
Total equity attributable to equity holders of the parent		**91,935**	**88,726**	**90,863**

Unaudited condensed consolidated cash flow statement

For the 6 months ended 30 June 2015

	Note	6 months ended 30 June 2015 Unaudited £'000	6 months ended 30 June 2014 Unaudited £'000	12 months ended 31 December 2014 Audited £'000
Cash flows from operating activities				
Profit for the period		1,998	1,438	4,255
Adjustments for:				
Investment revenues		(1)	-	(1)
Finance costs		334	355	708
Movement in provisions		(51)	245	332
Income tax expense		626	583	1,255
Depreciation of property, plant and equipment		1,454	1,571	3,087
Amortisation of intangible assets		163	196	383
Impairment		-	-	99
Share based payment expense		70	143	246
Loss on disposal of fixed assets		16	140	181
Operating cash inflows before movements in working capital		4,609	4,671	10,545
Decrease/(Increase) in inventories		(2,588)	199	405
Decrease in receivables		1,236	5,172	4,941
Increase/(Decrease) in payables		(222)	295	846
Cash generated from operations		3,035	10,337	16,737
Income taxes paid		(352)	(1,101)	(1,806)
Interest paid		(222)	(289)	(558)
Net cash from operating activities		2,461	8,947	14,373
Investing activities				
Interest received		1	-	1
Purchases of property, plant and equipment		(540)	(690)	(1,117)
Proceeds on disposal of property, plant and equipment		-	52	52
Acquisition of trade and assets of business		-	(34)	(469)
Net cash used in investing activities		(539)	(672)	(1,533)
Financing activities				
Dividends paid	9	(996)	(975)	(1,769)
Net (decrease) / increase in borrowings		(1,247)	(8,204)	(11,075)
Loan to the Employee Benefit Trust for acquisition of own shares		-	12	3
Net cash used in financing activities		(2,243)	(9,167)	(12,841)
Net decrease in cash and cash equivalents		(321)	(892)	(1)
Cash and cash equivalents at beginning of period		8,250	8,251	8,251
Cash and cash equivalents at end of period		**7,929**	**7,359**	**8,250**

Unaudited notes to the condensed interim financial statements

For the 6 months ended 30 June 2015

Note 1 Basis of preparation

The interim financial statements of the Group for the six months ended 30 June 2015, 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 2014. The Group does not anticipate any change in these accounting policies for the year ended 31 December 2015. 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 2014 is based on the statutory accounts for the year ended 31 December 2014. 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 2015 Unaudited Total £'000**	**6 months ended 30 June 2014 Unaudited Total £'000**	**12 months ended 31 December 2014 Audited Total £'000**
Pawn Service Charge	14,283	14,260	28,393
Retail	13,364	13,196	30,894
Pawnbroking Scrap	4,196	7,185	10,620
Gold Purchasing	6,279	7,178	13,325
Personal Loans	1,158	837	1,780
Other Services	1,517	1,164	2,684
Total Revenue	40,797	43,820	87,696

Gross Profit	**6 months ended 30 June 2015 Unaudited Total £'000**	**6 months ended 30 June 2014 Unaudited Total £'000**	**12 months ended 31 December 2014 Audited Total £'000**
Pawn Service Charge	14,283	14,260	28,393
Retail	4,797	4,419	10,677
Pawnbroking Scrap	73	(219)	(244)
Gold Purchasing	1,047	1,310	2,387
Personal Loans	1,158	837	1,780
Other Services	1,517	1,164	2,684
Total Gross Profit	22,875	21,771	45,677

The changing business mix and the complex interaction of VAT schemes in the business resulted in restatement of retail revenue and profit. VAT has been a net recovery in recent years and was netted against expenses whereas VAT payable on sales has now been deducted from the retail sales. The comparative 6 months ended 30 June 2014 have been restated, the results for the year ended 31 December 2014 already reflect this change.

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 2015 Unaudited	**6 months ended 30 June 2015 Unaudited**	**6 months ended 30 June 2014 Unaudited**	**12 months ended 31 December 2014 Audited**
	Total £'000	**Total £'000**	**Total £'000**
Operating profit	2,957	2,376	6,217
Depreciation and amortisation	1,617	1,767	3,470
Impairment	-	-	129
EBITDA	4,574	4,143	9,816

Note 4 Borrowings

	6 months ended 30 June 2015 Unaudited £'000	**6 months ended 30 June 2014 Unaudited £'000**	**12 months ended 31 December 2014 Audited £'000**
Secured borrowing at amortised cost			
Short term portion of bank loan	1,755	1,796	1,925
Amount due for settlement within one year	1,755	1,796	1,925
Long term portion of bank loan	15,000	19,000	16,000
Unamortised issue costs	(165)	(319)	(242)
Amount due for settlement after more than one year	14,835	18,681	15,758

Unaudited notes to the condensed interim financial statements (continued)

For the 6 months ended 30 June 2015

Note 5 Finance costs

	6 months ended 30 June 2015 Unaudited £'000	6 months ended 30 June 2014 Unaudited £'000	12 months ended 31 December 2014 Audited £'000
Interest payable on bank loans and overdraft	258	279	554
Other interest	-	-	1
Amortisation of debt issue costs	76	76	153
Total finance costs	334	355	708

Note 6 Tax on profit

The taxation charge for the 6 months ended 30 June 2015 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 2015. The underlying effective full year tax charge is estimated to be 20.30% (six months ended 30 June 2014: 21.5%).

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 2015			Unaudited 6 months ended 30 June 2014			Audited 12 months ended 31 December 2014		
	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	1,998	36,154,799	5.53	1,438	36,093,291	3.98	4,255	36,124,298	11.78
Effect of dilutive securities									
Options	-	29,533	(0.01)	-	-	-	-	-	-
Earnings per share diluted	1,998	36,184,332	5.52	1,438	36,093,291	3.98	4,255	36,124,298	11.78

Note 8 Share capital

	At 30 June 2015 Unaudited	At 30 June 2014 Unaudited	At 31 December 2014 Audited
Allotted, called up and fully paid (Ordinary Shares of £0.05 each)			
£'000 Sterling	1,843	1,843	1,843
Number	36,856,264	36,856,264	36,856,264

Note 9 Dividends

On 13 August 2015, the directors approved a 3.5 pence interim dividend (30 June 2014: 2.1 pence) which equates to a dividend payment of £1,290,000 (30 June 2014: £774,000). The dividend will be paid on 9 October 2015 to shareholders on the share register at the close of business on 11 September 2015 and has not been provided for in the 2015 interim results. The shares will be marked ex-dividend on 9 September 2015.

On 30 April 2015, the shareholders approved the payment of a 2.70 pence final dividend for 2014 which equates to a dividend payment of £996,000 (2014: £995,000). The dividend was paid on 5 June 2015.