11 August 2020

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

H&T Group plc today announces its interim results for the six months ended 30 June 2020.

HIGHLIGHTS

- Profit before tax down 26.5% to £5.0m (H1 2019: £6.8m)
- Operating profit down 32.9% to £5.5m (H1 2019: £8.2m)
- Diluted EPS of 10.2p (H1 2019: 15.0p)
- Net pledge book, including accrued interest, increased by 4.6% to £56.3m (30 June 2019: £53.8m)
- Personal Loan book reduced 43.8% to £10.0m (30 June 2019: £17.8m)
- Net debt reduced to nil (30 June 2019: £11.6m)
- Net assets up £19.3m to £126.9m (30 June 2019: £107.6m)
- Interim dividend of 2.5p (2019 interim: 4.7p)

John Nichols, H&T chief executive, said:

"Our results reflect the impact of Covid-19 on our business and the closure of our stores from 24 March, all of which have since reopened. While our revenues and profits reduced in this unprecedented environment, our focus on costs and cash generation leaves us presently well positioned as we look to the rest of the year and enables us to declare an interim dividend of 2.5 pence per share.

"Pre lock-down the Group was well on track to deliver revenue growth and increased profitability, underpinned by our diversified income streams, increased footprint and investment in digital initiatives. With lock-down in March we closed all stores in order to protect colleagues and customers, and we have launched our online payment portal. We also froze interest on pawnbroking loans while our stores were closed and have offered payment deferral arrangements to those lending customers impacted by the financial implications of Covid-19.

"Having safely re-opened our stores, the Board is confident that H&T is well-positioned to navigate the rest of 2020 and beyond. The Group has a strong balance sheet, no debt and a good cash position. This will enable us to build back our pawnbroking book, a resilient secured asset in times of economic uncertainty, and deliver our long-term growth plans which remain intact. "

Financial highlights (£m unless stated)			
6 months ended 30 June	**2020**	**2019**	**Change %**
Gross profit	37.4	44.1	(15.2%)
EBITDA (Note 3)	9.6	11.3	(15.0%)
Operating profit	5.5	8.2	(32.9%)
Profit before tax	5.0	6.8	(26.5%)
Diluted EPS (p)	10.2	15.0	(32.0%)
Dividend per share	2.5p	4.7p	(46.8%)
Key performance indicators			
Net pledge book	£56.3m	£53.8m	4.6%
Retail gross profits	£2.8m	£5.4m	(48.1%)

Personal loan book	£10.0m	£17.8m	(43.8%)
Personal loan revenue less impairment	£6.4m	£11.6m	(44.8%)
Number of stores	252	182	38.5%

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INTERIM REPORT

Introduction

We increased our store network by 70 during H2 2019 because of the business assets added via the Money Shop and Albemarle & Bond acquisitions. The Group's Q1 2020 trading performance exceeded expectations with pleasing revenue growth in the new stores.

On 24 March, in the light of HM Government's introduction of nationwide social restrictions and instructions regarding retail operations we closed all our stores. From 12 May we commenced a phased reopening such that all stores except two were open by 31 May, servicing essential financial services with the exclusion of personal unsecured lending. Retail jewellery was then reintroduced into all those stores that previously offered jewellery during the last two weeks in June. All stores are now open.

Since reopening, all product categories have continued to build, showing week on week growth, although business levels for most products are yet to reach either pre closure or pre-Covid-19 expectation levels.

Re-establishing business to levels pre closure and the building of our lending books is the primary focus for H2 2020.

COVID-19 IMPACT AND ACTIONS

In line with government guidance and in order to protect our colleagues, customers and the communities where we operate, all stores were closed on 24 March 2020. Stores have since reopened.

During the temporary store closure period, we have supported and stayed in touch with our customers by offering a dedicated call centre operation and online chat facility, regularly updating our website providing information and guidance, and issuing additional SMS text and postal communications direct to customers. Pawnbroking customers were provided with an interest holiday while our stores were closed and offered the opportunity to defer payment, by extending their loan. Personal lending customers, financially impacted by Covid-19, were offered the opportunity to take payment deferrals.

At the same time, we have finalised and implemented our online pawnbroking payment portal, allowing customers to settle loans remotely. To date 14,000 customers have used this service, making payments of £3.5m.

Throughout the period we have continued to sell jewellery online and have maintained our gold processing operation, smelted gold and so benefited from the relatively high gold price.

While our stores were closed, our store colleagues were furloughed under the Government's Job Retention Scheme. Most colleagues have now returned to employment as we have reopened for business. During the past three months, our colleagues across the UK have offered support in their local communities and the Group has provided a small charitable fund to support local, small charities who are connected to our customers and employees.

The Group's colleagues remained internally connected during lock-down with cross functional teams established to provide effective customer support, to review our operating methods, to accelerate our digital development work and to maintain risk management including vigilance surrounding IT security during Covid-19.

FINANCIAL RESULTS

The Group has reported profit before tax of £5.0m (H1 2019: £6.8m), a 26.5% fall, reflecting the impact of Covid-19 and associated store closures.

Gross profit reduced by £6.7m, 15.2%, to £37.4m (H1 2019: £44.1m). Operating profit reduced by £2.7m, 32.9%, to £5.5m (H1 2019: £8.2m). H&T received £3.5m in HM Government support payments, included as ‘other income’ (see note 2) in relation to the Job Retention and Business Rate support schemes.

The average H1 2020 gold price has increased 29.3% to £1,306 per troy ounce (H1 2019: £1,010). As at 30 June 2020: £1,440 (30 June 2019: £1,108).

Total direct and administrative expenses reduced by £4.0m. This comprises an increase in costs, primarily by increased staff and property related costs arising from the Group’s increased store estate, offset by a £8.4m reduction in impairment charges as a result of reduced lending books. While some operational and transactional costs reduced while stores were closed, we have incurred some additional Covid-19 related costs, associated with ensuring colleague and customer safety. Further related expenditure will continue in the near term. The pawnbroking and personal lending books have reduced by £15.9m and £6.6m respectively since 31 December 2019.

The Group’s balance sheet remains strong with zero net debt (30 June 2019: £11.6m) leaving £34.0m (30 June 2019: £14.0m) of the £35.0 RCF Lloyds facility undrawn.

The reduced borrowing is a direct consequence of the reduction in our personal and pawnbroking lending books. The relatively high levels of customer redemptions following the reopening of our stores and the strong use of the customer payment portal has resulted in the reduction in the pledge book across all stores. H&T’s decision to at least temporarily cease HCSTC lending in October 2019 and then temporarily cease all personal lending as a result of stores closing has seen our personal lending book reduce.

Dividend

The Board has approved an interim dividend of 2.5 pence (2019 interim: 4.7 pence). This will be payable on 2 October 2020 to all shareholders on the register at the close of business on 4 September 2020. It is intended that a final dividend, commensurate with historical levels, will be declared should trading return to pre lock-down levels by the year end.

REVEW OF OPERATIONS

Pawnbroking

Pawnbroking remains a core product for H&T and we report that the gross pledge book increased to £56.3m, including accrued interest (30 June 2019: £53.8m). Pledge balances in the 70 new H&T stores at 30 June 2020 were £5.9m. Initial pledge books on acquisition in these sites was £4.9m.

Prior to lock-down, at the end of March the pledge book across all stores had increased to £72.7m, with growth in both core and the newly acquired stores.

Interest was frozen for customers during the period stores were closed, meaning that all customers have benefitted from at least two months of interest holiday. The payment portal drove £3.5m of online redemption payments and once stores re-opened we have seen loan redemptions exceed new lending. This is in part because customers reduced discretionary spending and reduced interest charged which appears to have enabled reduced borrowing which has resulted in the £16.4m reduction in pledge book compared with pre lock-down and consequential pay down of debt.

During the period pawnbroking revenue less impairment was unchanged at £16.8m (H1 2019: £16.8m) resulting in a risk-adjusted margin (RAM) for the period of 24.4% (H1 2019: 35.2%). The lock-down period has resulted in a higher ageing profile of the book, resulting in higher impairment provisioning. Revenue less impairment from new stores was £3.5m, leaving core stores at £13.3m, £3.5m, 20.8% down on H1 2019.

The reduction in like for like net revenues is a consequence of stores being temporary closed during the Covid-19 lock down.

Pawnbroking summary:

6 months ended 30 June:	**2020 £'m**	**2019 £'m**	**Change %**
Period-end net pledge book[1]	56.3	53.8	4.6%
Average net pledge book	68.9	47.7	44.4%
Revenue less impairment	16.8	16.8	0.0%
Risk-adjusted margin[2]	*24.4%*	*35.2%*	
Notes to table			
1 - Includes accrued interest and impairment			
2 - Revenue as a percentage of the average net pledge book			

Pawnbroking scrap

Pawnbroking scrap increased gross profits by £1.6m to £2.0m (H1 2019: £0.4m) for the half year, on sales of £6.7m (H1 2019: £6.0m). The margin increased from 7% to 30%. The rise in gold price is the main reason for the gross profit uplift.

Retail

Retail sales reduced 47.0% to £9.8m (H1 2019: £18.5m) while gross profits reduced by 48.1% to £2.8m (H1 2019: £5.4m). Margin at 28% (H1 2019: 29%) reflects a continuation of the move towards an increasing proportion of new sales. New sales accounted for 17% of total retail sales (H1 2019: 12%). The Group has reduced its retail stock holding by £3.3m to £27.3m (30 June 2019: £30.6m)

Personal Loans

Net revenue reduced 20.4% to £4.3m (H1 2019: £5.4m), while the loan book decreased 43.8% to £10.0m (30 June 2019: £17.8m). The contraction of the loan book is a result of ceasing HCSTC lending in October 2019 and suspending all personal lending from 24 March 2020.

The risk-adjusted margin for the period at 32.8% is relatively unchanged (H1 2019: 32.5%). However, the cessation of HCSTC lending has increased the proportion of the book derived from lower APR products and consequently has resulted in lower interest yield of 48.9% (H1 2019: 69.9%). This has also significantly impacted impairment rates, with impairment as a proportion of the average monthly net loan book reducing to 16.0% (H1 2019: 37.3%).

Personal Loans summary:

6 months ended 30 June:	**2020 £'m**	**2019 £'m**	**Change %**
Period-end net loan book	10.0	17.8	(43.8%)
Average monthly net loan book	13.1	16.6	(21.1%)

Revenue	6.4	11.6	(44.8%)
Impairment	(2.1)	(6.2)	(66.1%)
Revenue less impairment	4.3	5.4	(20.4%)
Interest yield[1]	*48.9%*	*69.9%*	
Impairment % of revenue	*32.8%*	*53.4%*	
Impairment % of average monthly net loan book	*16.0%*	*37.3%*	
Risk-adjusted margin[2]	*32.8%*	*32.5%*	

1 – Revenue as a percentage of average loan book

2 – Revenue less impairment as a percentage of average loan book

Gold purchasing

Gold purchasing profits increased by 1.3m to £2.8m (H1 2019: £1.5m) on sales of £9.6m (H1 2019: £8.8m). The increased margin from 17% to 29% is a result of gold price increase and the main driver for the GP uplift.

Other services

Total revenues from other services reduced by £0.9m to £2.4m (H1 2019: £3.3m). A £0.5m fall in Foreign Exchange (FX) transaction profit and £0.8m reduction in buyback is partially offset by £0.1m increase in cheque cashing revenue and £0.3m new revenue from Western Union.

FX profit reduced by 29.0% to £1.3m while the value of currency traded reduced by 53.0%. We have seen a change in the mix between buying and selling currency, initially as a result of new stores. This has resulted in 19% of FX transactions being buys (H1 2019: 8%) which has increased our FX margin.

Buyback product was ceased during Q1 2020 with gross profits consequently falling to £0.2m in the period. Cheque cashing and Western Union revenues were ahead primarily driven by increased revenues from new H&T stores.

REGULATION – FCA REVIEW

Continued focus on affordability and creditworthiness in consumer credit

On 18 November 2019 the Group announced that it was working with the Financial Conduct Authority (FCA) to review its creditworthiness assessments and lending processes for its unsecured HCSTC loans. Since then the Group has been developing its methodology for conducting a past-book review. In collaboration with the FCA progress towards appointment of a skilled person was postponed until Covid-19 restrictions allowed engagement. During July we engaged with advisers and conducted interviews in order to put forward proposals to the FCA. We anticipate a skilled person will be selected shortly with their work commencing in September.

STRATEGY AND OUTLOOK

We are pleased with the way our business has returned since stores re-opened, with pawnbroking lending run rates developing so far week on week, although we have some way still to go to reach pre lock-down levels. Our focus is on being able to provide short-term cash loans to customers when they need it and consequently building our lending portfolios. This rebuilding is supported by our strong cash generation in the first half and our ungeared balance sheet. The opportunity to achieve uplift and return from our newly enlarged store estate remains. We have already demonstrated an ability to grow pawnbroking in new stores and to leverage opportunities in Western Union, FX and cheque cashing.

The Group will continue to focus and seek strategies to grow its pawnbroking offering while building our other lines of business. Further investment in digital and online capabilities to complement our store estate will be fundamental.

Interim Condensed Financial Statements

Unaudited statement of comprehensive income
For the 6 months ended 30 June 2020

	Note	6 months ended 30 June 2020 Total Unaudited £'000	6 months ended 30 June 2019 Total Unaudited £'000	12 months ended 31 December 2019 Total £'000
Revenue	2	55,830	69,999	160,213
Cost of sales		(18,478)	(25,929)	(58,852)
Gross profit	2	**37,352**	**44,070**	**101,361**
Other direct expenses		(21,567)	(28,513)	(60,842)
Administrative expenses		(10,324)	(7,384)	(18,031)
Operating profit	3	**5,461**	**8,173**	**22,488**
Finance costs	5	(446)	(1,342)	(2,405)
Profit before taxation		**5,015**	**6,831**	**20,083**
Tax on profit	6	(1,132)	(1,275)	(3,393)
Total comprehensive income for the period		**3,883**	**5,556**	**16,690**
		Pence	**Pence**	**Pence**
Earnings per ordinary share - basic	7	**10.21**	**15.00**	**43.88**
Earnings per ordinary share - diluted	7	**10.20**	**14.97**	**43.80**

All results derive from continuing operations.

Unaudited condensed consolidated statement of changes in equity

For the 6 months ended 30 June 2020

	Note	6 months ended 30 June 2020 Unaudited £'000	6 months ended 30 June 2019 Unaudited Restated* £'000	12 months ended 31 December 2019 Audited Restated* £'000
Opening total equity		122,606	103,821	103,821
Total comprehensive income for the period		3,883	5,556	16,690
Issue of share capital		313	328	6,130
Share option movement taken directly to equity		102	368	328
Dividends paid	9	-	(2,496)	(4,363)
Closing total equity		**126,904**	**107,577**	**122,606**

Unaudited condensed consolidated balance sheet

At 30 June 2020

	Note	At 30 June 2020 Unaudited £'000	At 30 June 2019 Unaudited £'000	At 31 December 2019 £'000
Non-current assets				
Goodwill		19,330	17,643	19,580
Other intangible assets		3,264	280	3,889
Property, plant and equipment		7,595	6,497	7,739
Deferred tax assets		2,184	1,760	2,180
Right-of-use assets		18,689	18,408	21,147
		51,062	44,588	54,535
Current assets				
Inventories		27,306	30,653	29,157
Trade and other receivables		68,582	74,315	90,606
Other current assets		38	947	714
Cash and cash equivalents		13,938	9,501	12,003
		109,864	115,416	132,480
Total assets		160,926	160,004	187,015
Current liabilities				
Trade and other payables		(8,842)	(9,031)	(10,578)
Lease liability		(5,708)	(4,830)	(253)
Current tax liabilities		(890)	(722)	(2,066)
		(15,440)	(14,583)	(12,897)
Net current assets		**94,424**	**100,833**	**119,583**
Non-current liabilities				
Borrowings	4	(773)	(20,656)	(25,715)
Lease liability		(16,298)	(15,890)	(24,307)
Provisions		(1,511)	(1,298)	(1,490)
		(18,582)	(37,844)	(51,512)
Total liabilities		(34,022)	(52,427)	(64,409)
Net assets		**126,904**	**107,577**	**122,606**
EQUITY				
Share capital	8	1,993	1,891	1,987
Share premium account		33,486	27,472	33,179
Employee Benefit Trust share reserve		(35)	(35)	(35)
Retained earnings		91,460	78,249	87,475
Total equity attributable to equity holders of the parent		**126,904**	**107,577**	**122,606**

Unaudited condensed consolidated cash flow statement
For the 6 months ended 30 June 2020

	Note	6 months ended 30 June 2020 Unaudited £'000	6 months ended 30 June 2019 Unaudited £'000	12 months ended 31 December 2019 £'000
Cash flows from operating activities				
Profit for the period		3,883	5,556	16,690
Adjustments for:				
Finance costs		446	1,342	2,405
Increase in provisions		21	45	237
Income tax expense		1,132	1,275	3,393
Depreciation of property, plant and equipment		1,097	1,045	2,272
Depreciation of right-of-use assets		2,239	2,004	4,604
Amortisation of intangible assets		785	71	591
Loss on disposal of property, plant and equipment		-	5	70
Loss on disposal of right-of-use assets		92	-	-
Share based payment expense		69	146	266
Operating cash flows before movements in working capital		9,764	11,489	30,528
Decrease/(increase) in inventories		1,851	(1,391)	105
Decrease/(increase) in other current assets		676	(70)	163
Decrease/(Increase) in receivables		22,022	(517)	(5,500)
(Decrease)/increase in payables		(3,734)	(259)	5,347
Cash generated from operations		30,579	9,252	30,643
Income taxes paid		(2,279)	(1,248)	(2,604)
Interest paid on loan facility		(259)	(314)	(686)
Interest paid on lease liability		(108)	(892)	(1,524)
Net cash generated from operating activities		27,933	6,798	25,829
Investing activities				
Purchases of intangible assets		(160)	-	(9)
Purchases of property, plant and equipment		(1,037)	(1,520)	(3,316)
Acquisition of right-of-use assets		(365)	(253)	(5,592)
Acquisition of trade and assets of business		251	(419)	(18,740)
Net cash used in investing activities		(1,311)	(2,192)	(27,657)
Financing activities				
Dividends paid	9	-	(2,497)	(4,363)
(Decrease)/increase in borrowings		(25,000)	(4,000)	1,000
Debt restructuring cost		-	(350)	(350)
Proceeds on Issue of shares		313	328	6,130
Net cash (used in)/generated from financing activities		(24,687)	(6,519)	2,417
Net increase/(decrease) in cash and cash equivalents		1,935	(1,913)	589
Cash and cash equivalents at beginning of period		12,003	11,414	11,414
Cash and cash equivalents at end of period		**13,938**	**9,501**	**12,003**

Unaudited notes to the condensed interim financial statements
For the 6 months ended 30 June 2020

Note 1 Basis of preparation

The interim financial statements of the group for the six months ended 30 June 2020, 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 2019. The group does not anticipate any change in these accounting policies for the year ended 31 December 2020. 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 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 2019 is based on the statutory accounts for the year ended 31 December 2019. 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.

The Board have conducted an extensive review of forecast earnings and cash over the next twelve months, considering various scenarios and sensitivities given the Covid-19 situation and uncertainty around the future economic environment. The Board 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 interim condensed financial statements. Further details of the impact of Covid-19 are set out in note 11.

Unaudited notes to the condensed interim financial statements
For the 6 months ended 30 June 2020

Note 2 Segmental Reporting

2020 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal Loans £'000	Other Services £'000	Other Income £'000	Consolidated for the 6 months ended 30 June 2020 £'000
External revenue	17,399	9,607	9,768	6,698	6,426	2,434	3,498	55,830
Total revenue	17,399	9,607	9,768	6,698	6,426	2,434	3,498	55,830
Gross profit	17,399	2,831	2,775	1,989	6,426	2,434	3,498	37,352
Impairment	(642)	-	-	-	(2,147)	-	-	(2,789)
Segment result	16,757	2,831	2,775	1,989	4,279	2,434	3,498	34,563
Other direct expenses excluding impairment								(18,778)
Administrative expenses								(10,324)
Operating profit								5,461
Finance costs								(446)
Profit before taxation								5,015
Tax charge on profit								(1,132)
Profit for the financial year and total comprehensive income								3,883

2019 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal Loans £'000	Other Services £'000	Other Income £'000	Consolidated for the 6 months ended 30 June 2019 £'000
External revenue	21,790	8,752	18,511	6,040	11,620	3,286	-	69,999
Total revenue	21,790	8,752	18,511	6,040	11,620	3,286	-	69,999
Gross profit	21,790	1,495	5,432	447	11,620	3,286	-	44,070
Impairment	(4,997)	-	-	-	(6,196)	-	-	(11,193)
Segment result	16,793	1,495	5,432	447	5,424	3,286	-	32,877
Other direct expenses excluding impairment								(17,320)
Administrative expenses								(7,384)
Operating profit								8,173
Finance costs								(1,342)
Profit before taxation								6,831
Tax charge on profit								(1,275)
Profit for the financial year and total comprehensive income								5,556

For the 6 months ended 30 June 2020

Note 2 Segmental Reporting (continued)

2019 Revenue	Pawnbroking Restated* £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal Loans £'000	Other Services £'000	Other Income £'000	For the year ended 2019 £'000
External revenue	49,102	24,229	41,516	14,944	21,459	8,963	-	160,213
Total revenue	49,102	24,229	41,516	14,944	21,459	8,963	-	160,213
Gross profit	49,102	5,736	13,639	2,462	21,459	8,963	-	101,361
Impairment	(10,142)	-	-	-	(10,656)	-		(20,798)
Segment result	38,960	5,736	13,639	2,462	10,803	8,963		80,563
Other direct expenses excluding impairment								(40,044)
Administrative expenses								(18,031)
Operating profit								22,488
Finance costs								(2,405)
Profit before taxation								20,083
Tax charge on profit								(3,393)
Profit for the financial year and total comprehensive income								16,690

Note 3 Operating profit and EBITDA
EBITDA

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

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 2020 Unaudited	**6 months ended 30 June 2020 Unaudited Total £'000**	**6 months ended 30 June 2019 Unaudited Total £'000**	**12 months ended 31 December 2019 Audited Total £'000**
Operating profit	5,461	8,173	22,488
Depreciation and amortisation	1,882	1,116	2,862
Depreciation of right-of-use assets	2,239	2,004	4,604
EBITDA	9,582	11,293	29,954

Unaudited notes to the condensed interim financial statements (continued)
For the 6 months ended 30 June 2020

Note 4 Borrowings

	6 months ended 30 June 2020 Unaudited £'000	6 months ended 30 June 2019 Unaudited £'000	12 months ended 31 December 2019 Audited £'000
Long term portion of bank loan	1,000	21,000	26,000
Unamortised issue costs	(227)	(344)	(285)
Amount due for settlement after more than one year	773	20,656	25,715

Note 5 Finance costs

	6 months ended 30 June 2020 Unaudited £'000	6 months ended 30 June 2019 Unaudited £'000	12 months ended 31 December 2019 Audited £'000
Interest payable on bank loans and overdraft	280	331	693
Other interest	-	1	1
Amortisation of debt issue costs	58	118	187
Interest on expense on the lease liability	108	892	1,524
Total finance costs	446	1,342	2,405

Unaudited notes to the condensed interim financial statements (continued)
For the 6 months ended 30 June 2020

Note 6 Tax on profit

The taxation charge for the 6 months ended 30 June 2020 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 2020. The underlying effective full year tax charge is estimated to be 19% (six months ended 30 June 2019: 19%).

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 2020			Unaudited 6 months ended 30 June 2019			12 months ended 31 December 2019		
	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	3,883	38,039,328	10.21	5,556	37,039,443	15.00	16,690	38,039,328	43.88
Effect of dilutive securities									
Options	-	18,201	(0.01)	-	70,999	(0.03)	-	68,197	(0.08)
Earnings per share diluted	3,883	38,057,529	10.20	5,556	37,110,442	14.97	16,690	38,107,525	43.80

Unaudited notes to the condensed interim financial statements (continued)
For the 6 months ended 30 June 2020

Note 8 Share capital

	At 30 June 2020 Unaudited	At 30 June 2019 Unaudited	At 31 December 2019 Audited
Allotted, called up and fully paid (Ordinary Shares of £0.05 each)			
£'000 Sterling	1,993	1,891	1,987
Number	39,864,077	37,827,501	39,736,476

Note 9 Dividends

On 6 August 2020, the directors approved a 2.5 pence interim dividend (30 June 2019: 4.7 pence) which equates to a dividend payment of £997,000 (30 June 2019: £1,866,000). The dividend will be paid on 2 October 2020 to shareholders on the share register at the close of business on 4 September 2020 and has not been provided for in the 2020 interim results. The shares will be marked ex-dividend on 3 September 2020.

Note 10 Contingent Liabilities

As set out in the market release issued by H&T Group plc on 18 November 2019, we will be working with a skilled person appointed in conjunction with the FCA on a past-book review of our lending since April 2014 within the High Cost Short Term unsecured lending (HCSTC) market. A skilled person is in the course of being appointed. At this stage, under the criteria in IAS 37 Provisions, contingent liabilities and contingent assets it is possible that a liability may exist, but H&T is unable to estimate the quantum of any such possible liability.

Note 11 Covid-19 Considerations

The outbreak of Covid-19 and its impact on the global and UK economies has resulted in financial consequences also for H&T.

In line with HM Government Guidance and in order to protect colleagues and customers all stores were closed on 24 March 2020. Whilst stores were closed no interest on pawnbroking loans was charged. During lock-down the Company's ability to operate was impacted as stores were closed. During this period costs were reduced and the operational impact on the business was mitigated by developing online capabilities and continuing to scrap gold and collect in loan receivables. Whilst stores have since re-opened, the Group is adhering to HM Government guidance in respect of the provision of a safe environment for colleagues and customers which reduces store capacity.

The most significant financial impact of the Covid-19 crisis on the Company is expected to be the extent to which the need for short-term cash loans returns following a period immediately post lock-down which saw high levels of pawnbroking loan redemptions. Further, we anticipate ongoing reduced demand in the short term for foreign currency, as overseas travel is likely to continue to be affected, and there remains uncertainty surrounding retail footfall which might reduce retail sales.

The impact of impairments on loan receivables is not yet clear. Charges may increase as the Company offers payment deferrals to customers experiencing financial difficulties as a result of events caused by Covid-19.

The Group' has considered its position and the likely impact on trading, including customer demand across its diversified income streams, the impact of the current high gold price and of its cost base. The Group has concluded that it has sufficient liquidity within the business and existing bank facilities. After reviewing these factors, it has determined that the preparation of these interim financial statements on a going concern basis remains appropriate.

A goodwill impairment review has also been carried out. The Group further considers that store profitability will not be significantly impacted in the medium term and therefore no change in the assessment of the fair value of its assets, including goodwill and intangibles, is required at this time. We will review the position at year end.

The Board has considered the impact of risks around Covid-19, summarised as follows:

Description of risk	**Examples of mitigating activities**
Failure to implement social distancing in stores or office locations resulting in colleagues or customers becoming ill or transmitting the virus. Commercial risk leading to reduced profits and cash pressure resulting from: i) a necessity to close stores once more again should a new virus waive reoccur or ii) reduced product demand resulting from changes in consumer behaviour, e.g. less overseas travel or reduced high street footfall iii) an economic downturn resulting in, for example, higher unemployment and a consequential change in customer behaviours which might impact loan repayment and redemption profiles.	• Risk assessments carried out for each location • 2- metre distancing rule applied by implementing distancing tape and restricting staff and customers to no more than two per store • Perspex applied to speech gaps in counter bays • Colleague and customer guidance regarding social distancing and hygiene measures communicated via posters, website and direct communications • Home-working implemented where possible • Regular communication to staff regarding latest Government guidelines, including self-isolation and hygiene factors • Awareness of the vulnerability status of colleagues who remain shielded • Online alternatives developed to service customer requirements – e.g. online pawnbroking, payment portal and online unsecured lending channels reviewed • Diversified product range ensuring reduced demand in one area does not overly impact the whole • The ability to generate cash via melting gold and collecting in loans even where stores are closed. • Maintaining prudent loan underwriting and affordability assessment criteria and conservative loan to value percentages for gold based secured loans. • Pawnbroking loans are secured on valuable assets e.g. gold and thus the Group is protected financially if customers are unable to redeem their pledged items.