

Unaudited Interim Results

H&T GROUP PLC

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

H&T Group plc today announces its interim results for the six months ended 30 June 2021.

HIGHLIGHTS

- Profit before tax £4.7m (H1 2020: £5.0m), a robust performance against a background of Covid-19 related trading restrictions from January to April and reduced high street footfall throughout the period
- Daily average pledge lending back to c.90% of pre-pandemic levels, recovering strongly with continuing month on month momentum
- Pledge book up 3.9% to £50.2m as at June (Dec 2020: £48.3m)
- Retail sales up 26.5% to £12.4m (June 2020: £9.8m) at improved margins. Retail gross profit up 139.3% to £6.7m (H1 2020 £2.8m)
- Cash balances £32.5m (June 2020 £12.9m net)
- Net Assets up £9.0m to £135.9m (H1 2020: £126.9m)
- Interim dividend increased to 4.0p (H1 2020: 2.5p)

Chris Gillespie, H&T chief executive, said:

"H&T has traded strongly since April's progressive relaxation of the pandemic restrictions. Pledge lending is steadily returning to normal levels and demand for our value for money, high quality jewellery and watches has been particularly strong.

"Right across the business, our colleagues have done an amazing job throughout the pandemic, ensuring we meet customers' needs whether in stores, over the telephone or increasingly, online. Both our websites are now refreshed, and we continue to invest in improving our IT systems to better support colleagues, and in expanding our reach and appeal across all appropriate channels for our customers.

"The positive trading momentum seen in the second quarter has continued in the third quarter with further growth in the pledge book to £52.2m as at 31 July 2021. We enter the second half of the financial year with growing confidence."

Financial highlights (£m unless stated)				
6 months ended 30 June	2021	2020	Change %	FY2020
EBITDA (Note 3)	£9.6m	£9.6m	0.0%	£26.2m
Operating profit	£5.2m	£5.5m	(5.5%)	£16.9m
Profit before tax	£4.7m	£5.0m	(6%)	£15.6m
Diluted EPS (p)	9.3p	10.2p	(8.8%)	32.1p
Dividend per share	4.0p	2.5p	60.0%	8.5p
Key performance indicators				
Net Pledge Book (including accrued interest)	£50.2m	£56.3m	(10.8%)	£48.3m
Pawnbroking revenue less impairment (Note 2)	£18.5m	£16.9m	10.1%	£34.2m
Retail sales	£12.4m	£9.8m	26.5%	£29.8m
Retail gross profits	£6.7m	£2.8m	139.3%	£11.3m
Personal loan book	£3.4m	£10.0m	(66%)	£5.9m
Net assets	£135.9m	£126.9m	7.1%	£134.5m
Number of stores	254	251		253

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INTERIM REPORT**Introduction**

During the lock-down period from January to April 2021, we were able to keep all but two of our stores open, offering pawnbroking and other financial services to continue to support our customers during these challenging times. We were unable to provide our retail sales offering through stores because of the restrictions applying to non-essential retail businesses. Jewellery and watch sales were offered via online channels, supported by a click and collect option from stores.

Between January and April our stores operated reduced trading hours, reflecting low levels of footfall and reduced demand for borrowing, and we made use of flexible furlough arrangements put in place by the Government. Furlough support received amounted to £1.3m and has been shown in the accounts as "Other Income" (see note 2). We topped up the earnings of affected employees in full, and all had returned to normal working by May.

Since the relaxation of Covid-19 restrictions across the UK during April the trading performance of the business has recovered strongly. Daily average pledge lending is already back to around 90% of pre-pandemic levels with some stores starting to show higher levels of lending than before Covid-19, reflecting a gradual but steady return of demand for borrowing. Retail sales have been particularly strong at improved margins, outperforming consistently across all categories since April, with watch sales in particular showing high demand.

We are very much on track with our priorities for the remainder of 2021 to rebuild pledge lending to pre-pandemic levels while continuing to invest in our online and stores based retail offering.

Financial Results

The Group has reported profit before tax of £4.7m, down 6% on the prior year (H1 2020: £5.0m), reflecting the impact of the trading restrictions under which the business operated from January to April and significantly reduced footfall. This was followed by a strong recovery in trading performance during May and June, and which continued into July.

H&T operated reduced opening hours in the period January to April and implemented flexible furlough arrangements. The Group received £1.3m Government support in relation to these arrangements.

Total direct and administrative expenses reduced 5.6% to £30.1m (H1 2020 £31.9m), reflecting careful management of expenditure, and reduced transactional costs during the trading restrictions of January to April.

The Group's balance sheet is strong with net assets of £135.9m, no debt and cash balances amounting to £32.5m, along with an undrawn revolving credit facility of £35m. This places the Group in an excellent position to take advantage of growth opportunities as Covid-19 restrictions are relaxed and Government support to individuals and businesses in the form of furlough and other support schemes begins to be progressively withdrawn. This is expected to contribute to the return of demand for credit to normalised levels.

Dividend

The Board has approved an increased interim dividend of 4.0pence (2019 interim: 2.5pence) per share, reflecting the positive trading momentum of the business. The Board intends to return dividend distributions to historic levels as soon as trading returns consistently to pre-pandemic levels. See Note 9 to the accounts.

Review of Operations**Pawnbroking**

Pawnbroking is the core business of H&T and recovering pledge lending to at least pre-pandemic levels is a key priority for the remainder of 2021 and beyond.

Pledge balances at June 2021 stood at £50.2m. The book had been broadly flat at around £48m since August 2020, and the June 2021 balance of £50.2m represents growth of 3.9% since December 2020, all of which occurred in the months of May and June. Daily average pledge lending has shown week on week and month on month improvements since mid-April and as at the end of June had recovered to c.90% of pre-pandemic levels.

The recovery of lending demand has not been uniform across the customer spectrum, with many self-employed and business owning customers continuing to benefit from Covid-19 related Government support. By way of illustration, the daily average volume of pledge lending in the 70 stores acquired by the Group in 2019 and which have proportionately fewer such customers, has now fully recovered and is slightly above pre-pandemic levels.

Average pledge loan value across the business remains at c. £320. Annualised risk adjusted margin (RAM) for the period was 73.9% (H1 2020: 57.1%), reflecting a revised book composition. RAM is expected to moderate as borrowing demand returns across the full customer spectrum and book composition reverts to pre-pandemic norms. RAM in 2020 was impacted by the temporary closure of all stores from March to May 2020 and the suspension of the charging of interest to customers during that period.

Alongside renewed growth in the pledgebook, annualised redemption rates are ahead of normal levels. This reflects a higher propensity of customers to repay their existing loans from cash resources built up over the pandemic period, and reduced borrowing demand.

Pawnbroking is our core business. We continue to invest in our online capabilities to better support our pawnbroking operations and we are investigating ways to broaden our appeal and geographic reach. One new store was opened in the period with one more opening and one relocation in July, two more new stores are due to open in August, and we have a number of store openings and relocations in the pipeline. We also intend to test further ways in which pawnbroking customers can interact with us without necessarily having to visit a store.

Pawnbroking Summary

6 Months ended 30 June	2021	2020	FY2020
	£m	£m	£m
Period end net pledge book - Note 1	50.2	56.3	48.3
Average net pledge book	48.6	68.9	58.9
Revenue less impairment	18.5	16.8	34.2
Risk adjusted margin - Note 2	73.9%	57.1%	58.1%
Notes:			
1. Includes accrued interest and impairment.			
2. Net Revenue expressed on an annualised basis as a percentage of average net pledge book.			

Pawnbroking Scrap

The average gold price during the period was broadly flat at £1,301 per Troy ounce (H1 2020: £1,306). As at 30 June 2021, the price was £1,274 (30th June 2020: £1,440).

The gold price directly affects margins earned on sales of scrapped gold. Further, the reduction in the size of the pledge book coupled with higher redemption rates has reduced the volume of gold which, having failed to sell at auction, was subsequently sent for scrap processing.

No auctions were undertaken from December to April due to pandemic restrictions. Customers whose pledge had become aged during lockdown, were given further time to redeem their items or make alternative arrangements such as a payment plan. No further interest was charged for this period of additional forbearance. Auctions were undertaken during May and June and the backlog was cleared by period end.

During the period, the gross value of scrap sales reduced 22.4% to £5.2m (H1 2020: £6.7m) and a combination of product mix, timing of auctions and gold price fluctuations reduced gross profits from the exceptionally high levels seen in H1 2020, to £1.0m (H1 2020: £2.0m).

Retail

The Group was unable to offer retail jewellery for sale in its stores during the period January to April because of Covid-19 trading restrictions. During this period, we continued to sell via our online websites and a click and collect service from our stores. Retail sales during Q1 - generated overwhelmingly online - were at approximately 25% of normalised pre-pandemic levels.

Since the relaxation of restrictions progressively during April, retail sales have significantly outperformed in terms of volume, value and margins. Online originated sales in May and June have grown in line with overall sales levels, and currently represent approximately 16% of total sales by value (H1 2020: 16%).

Retail sales for the period overall were up 26.5% to £12.4m (H1 2020: £9.8m), generating gross profits of £6.7m (H1 2020: £2.8m). Strong demand in particular for high quality watches enabled us to release provisions held in accordance with our normal accounting policy, against previously slow-moving stock items. Headline gross margin of 54% (H1 2020: 28%) reflects this dynamic. Underlying gross margin excluding provision movements was 46% (H1 2020: 41%), reflecting both business mix and strong demand for high quality pre-owned watches and jewellery.

Sales of new items in the period were broadly flat at £1.6m, representing 13% of overall retail sales (H1 2020: 17%). Lack of growth in this category primarily reflects supply related issues caused by Covid-19 disruption within supply chains and significantly lengthened delivery lead times from overseas suppliers. This has been addressed through changes to our ordering processes.

Stock holding of retail jewellery and watches at period end was £28.1m (H1 2020: £27.3m).

Gold Purchasing

Gold purchasing profits reduced 53.6% to £1.3m (H1 2020: £2.8m) on sales of £8.0m (H1 2020: £9.6m), a reduction of 16.7% and primarily reflecting reduced transaction volumes from January to April 2021. At 16%, the margin on purchased gold has moderated back closer to historic norms after the positive impact in 2020 of a higher gold price (H1 2020: 29%, H1 2019: 17%).

Personal Loans

The net personal loans book reduced significantly to £3.4m (H1 2020: £10.0m) in line with our plans. Other than a small sample of loans written as part of the s.166 review, no High Cost Short Term ("HCST") loans were written in the period. Non-HSCT lending continues at modest levels, with £1.0m lent during the period (H1 2020: £3.3m).

The increase in annualised risk adjusted margin to 106.9% (H1 2020: 61.8%) reflects the ongoing collect out of the book and reversal of impairment charges under IFRS9 accounting, together with further tightening of credit risk and affordability assessments.

Personal Loan Summary

6 Months ended - 30 June	2021 £m	2020 £m	FY2020 £m
Period end net loan book	£3.4	£10.0	£5.9
Average net loan book	£4.3	£13.1	£10.2
Revenue	£1.7	£6.4	£9.8
Impairment	£0.7	(£2.1)	(£1.7)
Revenue add/less impairment	£2.4	£4.3	£8.1
Risk Adjusted Margin - Note 1	106.9%	61.8%	79.4%
Note 1 - Net Revenue expressed on an annualised basis as a percentage of average net loan book			

Other Services and Other Revenue

Other Services comprises trading activities in respect of foreign currency exchange (FX), money transfer, and cheque cashing. A buy-back product was previously offered, but was withdrawn in Q1 2020.

Overall, net revenue from Other Services was broadly flat at £2.3m (H1 2020 £2.4m).

FX profit reduced to £1.0m (H1 2020: £1.3m). Transaction volumes were down 56% and aggregate transaction value reduced by 45%. Transaction volumes in the period were at c23% of pre-pandemic levels with signs of a modest recovery during May and June. We expect this recovery to continue as foreign travel begins to re-open over the summer.

Money transfer revenues grew to £0.8m (H1 2020: £0.3m) on transaction volumes up 66% to 226k (H1 2020: 136k), considerably above pre-pandemic levels. Money transfer, although not significantly profitable in its own right, is a key driver of footfall into our stores.

Cheque cashing revenue was broadly flat at £0.4m on reduced volumes, reflecting a systemic decline in cheque usage which has accelerated during the pandemic.

Other Income primarily represents funds received from the Government support in the form of the furlough job retention scheme, amounting to £1.3m in the period (H1 2020: £3.5m).

Regulation - FCA s.166 Review

As previously advised, the Group has been working with the Financial Conduct Authority (FCA) to undertake via a skilled person, a review of the credit worthiness, affordability assessments and lending process within its High Cost Short Term loan (HCST) business since 2014.

A methodology for conducting the required past book review has been developed in close collaboration with the skilled person. This methodology is under review by the FCA, following which a process of testing will be undertaken by the skilled person before the methodology and implementation approach can be finalised.

Further updates will be provided in due course although it is not currently possible to put a timescale on completion of the review by the FCA, nor completion of the subsequent testing work by the skilled person.

Strategy and Outlook

The Group's core business is pawnbroking, supported by a strong new and pre-owned jewellery and watches franchise - both online and through our store network - and a range of financial services tailored to the needs of the communities we serve.

Our Pawnbroking Customers are usually seeking to borrow a relatively modest sum - typically less than £500 - over a short term. The withdrawal of a number of non-standard lenders from the lending market creates a growth opportunity for pawnbroking, and an opportunity for H&T in particular as the clear market leader. We are investing in broadening our reach and modernising our appeal to new and returning customers across all appropriate channels by further extending our store network, improving our fulfilment and product delivery infrastructure, and upgrading our digital and social media capabilities.

The business has positive trading momentum and a strong, debt free balance sheet. The momentum seen in May and June has continued into the third quarter, with further growth in the pledge book to £52.2m as at 31 July. Retail sales continue to outperform and we have seen a recent increase in FX volumes as overseas travel begins to recover.

Notwithstanding the ongoing uncertainties presented by the Covid - 19 pandemic, the Board believes there are highly attractive growth opportunities for the Group, including the potential for further market consolidation, and we view the future with optimism and excitement.

Interim Condensed Financial Statements

Unaudited statement of comprehensive income For the 6 months ended 30 June 2021

	Note	6 months ended 30 June 2021 Total Unaudited £'000	6 months ended 30 June 2020 Total Unaudited £'000	12 months ended 31 December 2020 Total £'000
Revenue	2	51,929	55,830	129,115
Cost of sales		(16,619)	(18,478)	(46,316)
Gross profit	2	35,310	37,352	82,799
Other direct expenses		(21,190)	(21,567)	(50,188)
Administrative expenses		(8,917)	(10,324)	(15,727)
Operating profit	3	5,203	5,461	16,884
Investment revenue		-	-	5
Finance costs	5	(549)	(446)	(1,257)
Profit before taxation		4,654	5,015	15,632
Tax on profit	6	(1,015)	(1,132)	(3,070)
Total comprehensive income for the period		3,639	3,883	12,562
		Pence	Pence	Pence
Earnings per ordinary share - basic	7	9.29	10.21	32.11
Earnings per ordinary share - diluted	7	9.29	10.20	32.11

All results derive from continuing operations.

Unaudited condensed consolidated statement of changes in equity For the 6 months ended 30 June 2021

	Note	6 months ended 30 June 2021 Unaudited £'000	6 months ended 30 June 2020 Unaudited £'000	12 months ended 31 December 2020 Audited £'000
Opening total equity		134,549	122,606	122,606
Total comprehensive income for the period		3,639	3,883	12,562
Issue of share capital		-	313	313
Share option movement taken directly to equity		120	102	64
Dividends paid	9	(2,392)	-	(996)
Closing total equity		135,916	126,904	134,549

Unaudited condensed consolidated balance sheet At 30 June 2021

	Note	At 30 June 2021 Unaudited £'000	At 30 June 2020 Unaudited £'000	At 31 December 2020 £'000
Non-current assets				
Goodwill		19,330	19,330	19,330
Other intangible assets		2,229	3,264	2,729
Property, plant and equipment		9,721	7,595	8,635
Deferred tax assets		2,749	2,184	2,822
Right-of-use assets		18,311	18,689	18,337
		52,340	51,062	51,853
Current assets				
Inventories		28,159	27,306	27,564
Trade and other receivables		55,951	68,809	55,751

Other current assets		-	38	1
Cash and cash equivalents		32,493	13,938	34,453
		<u>116,603</u>	<u>110,091</u>	<u>117,769</u>
Total assets		168,943	161,153	169,622
Current liabilities				
Trade and other payables		(10,266)	(8,842)	(10,807)
Lease liability		(3,260)	(5,708)	(3,568)
Current tax liabilities		(919)	(890)	(1,972)
		<u>(14,445)</u>	<u>(15,440)</u>	<u>(16,347)</u>
Net current assets		102,158	94,651	101,422
Non-current liabilities				
Borrowings	4	-	(1,000)	-
Lease liability		(16,909)	(16,298)	(17,077)
Provisions		(1,673)	(1,511)	(1,649)
		<u>(18,582)</u>	<u>(18,809)</u>	<u>(18,726)</u>
Total liabilities		(33,027)	(34,249)	(35,073)
Net assets		135,916	126,904	134,549
EQUITY				
Share capital	8	1,993	1,993	1,993
Share premium account		33,486	33,486	33,486
Employee Benefit Trust share reserve		(35)	(35)	(35)
Retained earnings		100,472	91,460	99,105
		<u>135,916</u>	<u>126,904</u>	<u>134,549</u>

Unaudited condensed consolidated cash flow statement For the 6 months ended 30 June 2021

	Note	6 months ended 30 June 2021	6 months ended 30 June 2020	12 months ended 31 December 2020
		Unaudited £'000	Unaudited £'000	£'000
Cash flows from operating activities				
Profit for the period		3,639	3,883	12,562
Adjustments for:				
Investment revenue		-	-	(5)
Finance costs		549	446	1,257
Increase in provisions		24	21	160
Income tax expense		1,015	1,132	3,070
Depreciation of property, plant and equipment		1,250	1,097	2,204
Depreciation of right-of-use assets		2,517	2,239	5,122
Amortisation of intangible assets		655	785	1,428
Right of use asset impairment		-	-	531
Loss on disposal of property, plant and equipment		11	92	99
Share based payment expense		134	69	(35)
		<u>9,794</u>	<u>9,764</u>	<u>26,393</u>
Operating cash flows before movements in working capital				
(Increase)/Decrease in inventories		(595)	1,851	1,679
Decrease in other current assets		1	676	713
(Increase)/Decrease in receivables		(200)	22,022	35,200
(Decrease) in payables		(917)	(3,734)	(3,842)
		<u>8,083</u>	<u>30,579</u>	<u>60,143</u>
Cash generated from operations				
Income taxes paid		(2,010)	(2,279)	(3,707)
Interest paid on loan facility		(170)	(259)	(350)
Interest paid on lease liability		(502)	(108)	(736)
		<u>5,401</u>	<u>27,933</u>	<u>55,350</u>
Net cash generated from operating activities				
Investing activities				
Interest received		-	-	5
Purchases of intangible assets		(155)	(160)	(233)
Purchases of property, plant and equipment		(2,325)	(1,037)	(3,005)
Purchase of right-of-use assets		(2,489)	(365)	(2,934)
Acquisition of trade and assets of business		-	251	(50)
		<u>(4,969)</u>	<u>(1,311)</u>	<u>(6,217)</u>
Net cash used in investing activities				
Financing activities				

Dividends paid	9	(2,392)	-	(996)
(Decrease) in borrowings		-	(25,000)	(26,000)
Proceeds on Issue of shares		-	313	313
Net cash used in financing activities		(2,392)	(24,687)	(26,683)
Net (decrease)/increase in cash and cash equivalents		(1,960)	1,935	22,450
Cash and cash equivalents at beginning of period		34,453	12,003	12,003
Cash and cash equivalents at end of period		32,493	13,938	34,453

Unaudited notes to the condensed interim financial statements For the 6 months ended 30 June 2021

Note 1 Basis of preparation

The interim financial statements of the Group for the six months ended 30 June 2021, 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 2020. The Group does not anticipate any change in these accounting policies for the year ended 31 December 2021. 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 2020 is based on the statutory accounts for the year ended 31 December 2020. 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.

Unaudited notes to the condensed interim financial statements For the 6 months ended 30 June 2021

Note 2 Segmental Reporting

2021	Pawnbroking	Gold purchasing	Retail	Pawnbroking scrap	Personal Loans	Other Services	Other Income	Consolidated
								for the 6 months ended 30 June 2021
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External revenue	20,949	7,995	12,438	5,240	1,715	2,322	1,270	51,929
Total revenue	20,949	7,995	12,438	5,240	1,715	2,322	1,270	51,929
Gross profit	20,949	1,319	6,718	1,017	1,715	2,322	1,270	35,310
Impairment	(2,414)	-	-	-	681	-	-	(1,733)
Segment result	18,535	1,319	6,718	1,017	2,396	2,322	1,270	33,577
Other direct expenses excluding impairment								(19,457)
Administrative expenses								(8,917)
Operating profit								5,203
Finance costs								(549)
Profit before taxation								4,654
Tax charge on profit								(1,015)
Profit for the financial year and total comprehensive income								3,639

2020	Pawnbroking	Gold purchasing	Retail	Pawnbroking scrap	Personal Loans	Other Services	Other Income	Consolidated
								for the 6 months ended 30 June 2020
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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

Unaudited notes to the condensed interim financial statements (continued)
For the 6 months ended 30 June 2021

Note 2 Segmental Reporting (continued)

2020	Pawnbroking	Gold purchasing	Retail	Pawnbroking scrap	Personal Loans	Other Services	Other Income	For the year ended 2020
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External revenue	38,970	21,508	29,827	19,249	9,781	6,014	3,766	129,115
Total revenue	38,970	21,508	29,827	19,249	9,781	6,014	3,766	129,115
Gross profit	38,970	6,802	11,303	6,163	9,781	6,014	3,766	82,799
Impairment	(4,763)	-	-	-	(1,675)	-	-	(6,438)
Segment result	34,207	6,802	11,303	6,163	8,106	6,014	3,766	76,361
Other direct expenses excluding impairment								(43,750)
Administrative expenses								(15,727)
Operating profit								16,884
Interest receivable								5
Finance costs								(1,257)
Profit before taxation								15,632
Tax charge on profit								(3,070)
Profit for the financial year and total comprehensive income								12,562

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 2021 Unaudited	6 months ended 30 June 2021 Unaudited	6 months ended 30 June 2020 Unaudited	12 months ended 31 December 2020 Audited
	Total	Total	Total
	£'000	£'000	£'000
Operating profit	5,203	5,461	16,884
Depreciation and amortisation	1,905	1,882	3,633
Depreciation of right-of-use assets	2,516	2,239	5,122
Impairment of the right-of-use-assets	-	-	531
EBITDA	9,624	9,582	26,170

Unaudited notes to the condensed interim financial statements (continued)
For the 6 months ended 30 June 2021

Note 4 Borrowings

	6 months ended 30 June 2021 Unaudited £'000	6 months ended 30 June 2020 Unaudited £'000	12 months ended 31 December 2020 Audited £'000
Long term portion of bank loan	-	26,000	26,000
Cash flows	-	(25,000)	(26,000)
Amount due for settlement after more than one year	-	1,000	-

Note 5 Finance costs

	6 months ended 30 June 2021 Unaudited £'000	6 months ended 30 June 2020 Unaudited £'000	12 months ended 31 December 2020 Audited £'000
Interest payable on bank loans and overdraft	(10)	280	404
Other interest	-	-	1
Amortisation of debt issue costs	58	58	117
Interest on expense on the lease liability	501	108	735
Total finance costs	549	446	1,257

Unaudited notes to the condensed interim financial statements (continued) For the 6 months ended 30 June 2021

Note 6 Tax on profit

The taxation charge for the 6 months ended 30 June 2021 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 2021. The underlying effective full year tax charge is expected to be 19% (six months ended 30 June 2020: 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 2021			Unaudited 6 months ended 30 June 2020			12 months ended 31 December 2020		
	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	3,639	39,162,612	9.29	3,883	38,039,328	10.21	12,562	39,124,959	32.11
Effect of dilutive securities									
Options	-	-	-	-	18,201	(0.01)	-	1,278	(0.00)
Earnings per share diluted	3,639	39,162,612	9.29	3,883	38,057,529	10.20	12,562	39,126,237	32.11

Unaudited notes to the condensed interim financial statements (continued) For the 6 months ended 30 June 2021

Note 8 Share capital

	At 30 June 2021 Unaudited	At 30 June 2020 Unaudited	At 31 December 2020 Audited
Allotted, called up 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

Note 9 Dividends

On 5 August 2021, the directors approved a 4 pence interim dividend (30 June 2020 Interim: 2.5 pence) which equates to a dividend payment of £1,595,000 (30 June 2020 Interim: £997,000). The dividend will be paid on 1 October 2021 to shareholders on the share register at the close of business on 5 September 2021 and has not been provided for in the 2021 interim results. The shares will be marked ex-dividend on 3 September 2021.

Note 10 Contingent Liabilities

As set out in the market release issued on 18th November 2019 by H&T Group plc, we are working with a skilled person subsequently appointed in conjunction with the FCA in September 2020 on a past-book review of our lending since April 2014 within the High Cost Short Term unsecured lending (HCSTC) market. 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 currently unable to estimate the quantum of any such possible liability.

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