H&T Group plc

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014.

John Nichols, Chief Executive, commented: “Despite the intense competitive environment and the fall in the gold price, the Group has delivered a robust performance for the first half and we expect the full year results to be in line with market expectations.

Our focus on delivering excellent service in our bright and welcoming stores continues, with strong progress made in the development of personal loans and lending on other asset types.

We have dedicated, professional people delivering great service with the right range of products and are well placed to take advantage of the developments we expect in the market.”

KEY FINANCIAL RESULTS

- Pledge book decreased by 20.8% to £38.5m (30 June 2013: £48.6m)
- Pawn Service Charge decreased to £14.3m (H1 13: £14.7m)
- Profit before tax of £2.0m (H1 13: £4.6m)
- Basic EPS of 3.98p (H1 13: 9.22p)
- Net debt reduced by 52.6% to £13.5m (30 June 2013: £28.5m)
- Interim dividend of 2.1p (2013 interim: 2.1p)

OPERATIONAL HIGHLIGHTS

- Continued our retail success with sales growth of 49.3% in H1 14
- Expanded the new est1897 Discount Secondhand Jewellery brand to 36 stores
- Deployed the “Expert Eye” system into all stores to support specialist valuations
- Development of the “We buy anything” proposition with an increase in Buyback purchases to £1.2m (H1 2013: £0.2m)

REPORT OF THE CHIEF EXECUTIVE AND FINANCE DIRECTOR

Introduction

The intense competitive environment, the fall in the gold price and regulatory restrictions on pay day lending have combined to place significant pressure on earnings in the industry, particularly on those businesses with a high street presence.

The Group delivered £2.0m profit before tax for the first half compared with £4.6m in H1 2013, a reduction of 56.5%, principally as a result of reduced profits from our pawnbroking scrap and gold purchasing operations.

The Group responded to this challenging market through targeted cost reductions and a focus on jewellery retail to support earnings in the short term as we realign the business to take advantage of the rapidly evolving market conditions through a focus on service, products and distribution.

H&T has always sought to be the customer's first choice for pawnbroking services by providing high quality locations with professional, knowledgeable and approachable staff. H&T have enhanced this proposition by expanding other services including our new personal loan, FX and Buyback. This level of development has not impacted on the quality of service, as demonstrated by our independent customer research which shows H1 2014 customer satisfaction significantly outperforming the specialty retailers' benchmark.

The Group will launch personal loans, jewellery retail and pawnbroking online in H2 2014 to provide a consistent offering online and in-store and develop this new channel to introduce more customers to our services.

The Board believes that our proposition delivers both good value and the highest service standards for our products. This provides us with the quality platform to capture those customers displaced into the marketplace through the closure of our competitors' high street locations over the coming year and the anticipated changes to online lending.

Financial Performance

Gross profit reduced by 17.5% to £22.2m (H1 2013: £26.9m) with £4.6m of the reduction coming from the pawnbroking scrap and gold purchasing segments as a result of lower gold price and a decline in gold purchasing volumes.

Total direct and administration costs reduced from £21.9m to £19.8m, a saving of £2.1m or 9.6%, £0.6m of which related to the discontinued GoldBar operations.

Our clear focus to reduce gearing, in particular through cost reduction, has reduced net debt by 52.6% to £13.5m at 30 June 2014 (30 June 2013: £28.5m) with leverage ratio of 1.5x, well within the covenant test of 3.0x.

Retail has been an area of particular focus and success over the last 12 months with the sales growth seen in H2 2013 sustained into 2014. Sales in H1 2014 were up 49.3% and gross profit was up 20.9% on prior year. Like for like sales increased by 50.0% over the same period.

The Group has closed four stores in the year and opened one, resulting in 191 trading units at 30 June 2014. 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 2.1 pence (2013 interim: 2.1 pence). This will be payable on 10 October 2014 to all shareholders on the register at the close of business on 12 September 2014.

REVIEW OF OPERATIONS

Pawnbroking

The pledge book reduced to £38.5m (30 June 2013: £48.6m) as a result of the competitive environment, a lower lending rate per gram and a reduction in aged pledge. This reduction was expected and management believes that the rate of decline has slowed as recent lending has stabilised, at 13 August 2014 the pledge book was £38.3m.

Pawn Service Charge was £14.3m (H1 2013: £14.7m); the interest component of the Pawn Service Charge was £14.0m (H1 2013: £15.0m) 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 improved ageing profile of the book and the higher average rate of interest.

The Group has implemented a range of measures to improve lending volume and quality. These measures include the deployment of “Expert Eye”, a system which enables high definition magnified images of gemstones 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.

This system is also used to support the identification and valuation of high quality watches.

These activities support the store staff and ensure that the expertise available in the jewellery centre can be deployed as widely as possible, including the support in valuation of items sent in by customers using the “We lend on anything” website and mobile apps which will be launched in Q3 2014.

Having now developed these platforms, the Group is in a position to drive awareness through selected marketing activity going forward.

Pawnbroking Scrap

Pawnbroking scrap produced a loss of £0.2m (H1 2013: £1.9m profit) for the half, on sales of £7.2m (H1 2013: £9.1m). This loss was expected in light of the relatively higher rate per gram on forfeited items against the current gold price and is consistent with the performance in H2 2013. We would 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.

Retail

The Group considers a successful retail offering to be a core part of our Group proposition. Pawnbroking and Gold Purchasing both generate significant amounts of saleable jewellery which must be sold. Whilst 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 retail items rather than scrap them also provides a higher return and reduces the Group’s exposure to short term gold price volatility.

The Group has improved its retail proposition through investment in store stock, a revised pricing strategy and selected promotional activity. This resulted in H2 2013 sales increasing by 45.4% on prior year, a trend which continued into H1 2014 with sales up 49.3%. Gross profit from retail increased 20.9% in H1 2014 versus the prior year.

The Group trialled a "Discount Secondhand Jewellery" proposition in a small number of underperforming stores during H2 2013 in order to improve returns from these locations. This concept has been refined during 2014 with the development of the est1897 brand and extended to a total of 36 stores across the store estate. These stores will continue to offer the other core services although we would expect the business mix in these stores to shift towards retail going forward. This retail concept will be supported by a fully transactional website www.est1897.co.uk which will be launched in Q3 2014.

Purchasing

Gold purchasing profits declined from £3.8m in H1 2013 to £1.3m in H1 2014 as a result of 4 key factors:

1. Gold price reduction: The average gold price was £773 per troy ounce during H1 2014 (H1 2013: £987 per troy ounce) a reduction of 21.7% which impacts on the gross profit available on each transaction;
2. Closure of GoldBar: The retail mall units contributed £0.6m of profit in H1 2013 and were closed as volumes decreased during the course of 2013;
3. Competitive Pressure: The margin derived from gold purchasing reduced from 24.6% in H1 2013 to 18.3% in H1 2014; and
4. Changing business mix: The increased cost of goods sold through retail means that a higher proportion of profits are realised in the retail segment rather than gold purchasing. Cost of goods sold through retail increased by 67.9% from H1 2013 to H1 2014.

We estimate that the weight of fine gold purchased in H&T Pawnbrokers stores fell by 2.1% from H1 2013 to H1 2014, with the trend in fine gold weight being flat since January 2014.

Personal Loans

The Group took the decision to replace the Pay Day Advance and KwikLoan products with a more flexible Personal Loan early in 2013 to give our customers a product tailored to their personal circumstances.

We launched the new product in October 2013 and the loanbook net of provisions was £2.6m at 30 June 2014, the KwikLoan product had a loanbook of £1.8m at 30 June 2013.

The Group considers the development of the personal loans product in-store and online to be a key opportunity going forward and plan to launch the product online during H2 2014.

Other Services

The new products of Western Union, Foreign Exchange and BuyBack have collectively contributed £0.6m in H1 2014 (H1 2013: £0.2m) and brought a significant number of new customers to H&T. FX and Buyback delivered the majority of the growth with increases 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 £0.2m in H1 2013 to £1.2m in H1 2014.

REGULATION

The Financial Conduct Authority

The regulation of Consumer Credit moved from the Office of Fair Trading to the Financial Conduct Authority on 1 April 2014. The Group has obtained interim permission from the FCA and has been notified that we are required to submit our application for full authorisation between 1 December 2014 and 28 February 2015.

The Group has appointed a Compliance Manager 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 predecessors and provide valuable support and insight into the new regime.

High cost short term credit interest rate cap

On 15 July 2014 the FCA published its proposals relating to a 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; and
- a cap on the total costs incurred over the life of the loan of 100% of the amount borrowed.

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

H&T provides a range of options for customers to raise the cash they need, whether using an asset or taking out an unsecured loan. The pricing of our loan products is amongst the lowest in the sector, particularly versus larger chains, and almost without exception the 1.6m customers of pay day lenders would be substantially better off taking a loan with H&T instead.

The Board believe that the wider alternative credit market is likely to undergo significant changes in the coming year primarily due to the impact of the FCA's proposed interest rate cap. The FCA have stated that "it is possible that one high-street firm may be able to operate" at the 0.8% per day cap, we would therefore anticipate store closures in that segment of the sector.

The Board believe that the financial stability of the Group, our range of products and our outstanding service delivery position us to take advantage of these market conditions.

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 by developing attractive online services we will be ideally positioned to grow as the market adjusts in the next two years.

Current trading is in line with management's expectations for 2014 and we expect the full year results to be in line with market expectations.

Interim Condensed Financial Statements

Unaudited statement of comprehensive income

For the 6 months ended 30 June 2014

	Note	6 months ended 30 June 2014 Total Unaudited £'000	6 months ended 30 June 2013 Total Unaudited £'000	12 months ended 31 December 2013 Total Audited £'000
Revenue	2	43,860	50,450	99,275
Cost of sales		(21,642)	(23,512)	(49,357)
Gross profit	2	**22,218**	**26,938**	**49,918**
Other direct expenses		(15,471)	(16,377)	(32,912)
Administrative expenses		(4,371)	(5,500)	(9,432)
Operating profit	3	**2,376**	**5,061**	**7,574**
Investment revenues		-	-	1
Finance costs	5	(355)	(413)	(842)
Profit before taxation		**2,021**	**4,648**	**6,733**
Tax on profit	6	(583)	(1,320)	(1,882)
Total comprehensive income for the period		**1,438**	**3,328**	**4,851**
		Pence	**Pence**	**Pence**
Earnings per ordinary share - basic	7	**3.98**	**9.22**	**13.44**
Earnings per ordinary share - diluted	7	**3.98**	**9.01**	**13.40**

All results derive from continuing operations.

Unaudited condensed consolidated statement of changes in equity

For the 6 months ended 30 June 2014

	Note	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Opening total equity		88,128	86,765	86,765
Total comprehensive income for the period		1,438	3,328	4,851
Issue of share capital		-	26	25
Share option credit taken directly to equity		143	222	238
Dividends paid	9	(995)	(2,964)	(3,738)
Employee Benefit Trust shares		12	(13)	(13)
Closing total equity		**88,726**	**87,364**	**88,128**

Unaudited condensed consolidated balance sheet

At 30 June 2014

	Note	At 30 June 2014 Unaudited £'000	At 30 June 2013 Unaudited £'000	At 31 December 2013 Audited £'000
Non-current assets				
Goodwill		17,739	18,063	17,738
Other intangible assets		1,204	1,628	1,400
Property, plant and equipment		11,312	13,844	12,322
		30,255	33,535	31,460
Current assets				
Inventories		29,549	30,299	29,748
Trade and other receivables		48,932	59,861	54,122
Deferred tax assets		747	755	724
Cash and cash equivalents		7,359	6,258	8,251
		86,587	97,173	92,845
Total assets		116,842	130,708	124,305
Current liabilities				
Trade and other payables		(5,656)	(6,940)	(5,338)
Current tax liabilities		(579)	(1,507)	(1,076)
Borrowings	4	(1,643)	(601)	(3,000)
		(7,878)	(9,048)	(9,414)
Net current assets		**78,709**	**88,125**	**83,431**
Non-current liabilities				
Borrowings	4	(18,834)	(33,682)	(25,605)
Provisions		(1,404)	(614)	(1,158)
		(20,238)	(34,296)	(26,763)
Total liabilities		(28,116)	(43,344)	(36,177)
Net assets		**88,726**	**87,364**	**88,128**
EQUITY				
Share capital	8	1,843	1,843	1,843
Share premium account		25,409	25,409	25,409
Employee Benefit Trust share reserve		(26)	(38)	(38)
Retained earnings		61,500	60,150	60,914
Total equity attributable to equity holders of the parent		**88,726**	**87,364**	**88,128**

Unaudited condensed consolidated cash flow statement

For the 6 months ended 30 June 2014

	Note	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Cash flows from operating activities				
Profit for the period		1,438	3,328	4,851
Adjustments for:				
Investment revenues		-	-	(1)
Finance costs		355	413	842
Movement in provisions		245	96	640
Income tax expense		583	1,320	1,882
Depreciation of property, plant and equipment		1,571	1,598	3,185
Amortisation of intangible assets		196	209	419
Impairment		-	-	517
Share based payment expense		143	222	238
Loss on disposal of fixed assets		140	151	187
Operating cash inflows before movements in working capital		4,671	7,337	12,760
Decrease/(Increase) in inventories		199	(3,910)	(3,359)
Decrease in receivables		5,172	5,161	10,970
Increase/(Decrease) in payables		295	(52)	(731)
Cash generated from operations		10,337	8,536	19,640
Income taxes paid		(1,101)	(2,027)	(3,009)
Debt restructuring cost		-	(500)	(535)
Interest paid		(289)	(365)	(691)
Net cash from operating activities		8,947	5,644	15,405
Investing activities				
Interest received		-	-	1
Purchases of property, plant and equipment		(690)	(1,279)	(2,434)
Proceeds on disposal of trade		52	-	-
Acquisition of trade and assets of business		(34)	(2,281)	(2,366)
Net cash used in investing activities		(672)	(3,560)	(4,799)
Financing activities				
Dividends paid	9	(975)	(2,964)	(3,738)
Proceeds on issue of shares		-	26	25
Net (decrease) / increase in borrowings		(8,204)	754	(5,000)
Loan to the Employee Benefit Trust for acquisition of own shares		12	(13)	(13)
Net cash used in financing activities		(9,167)	(2,197)	(8,726)
Net decrease in cash and cash equivalents		(892)	(113)	(1,880)
Cash and cash equivalents at beginning of period		8,251	6,371	6,371
Cash and cash equivalents at end of period		**7,359**	**6,258**	**8,251**

Unaudited notes to the condensed interim financial statements

For the 6 months ended 30 June 2014

Note 1 Basis of preparation

The interim financial statements of the Group for the six months ended 30 June 2014, 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 2013. The Group does not anticipate any change in these accounting policies for the year ended 31 December 2014. 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 2013 is based on the statutory accounts for the year ended 31 December 2013. 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 2014 Unaudited Total £'000**	**6 months ended 30 June 2013 Unaudited Total £'000**	**12 months ended 31 December 2013 Audited Total £'000**
Pawn Service Charge	14,261	14,749	28,673
Retail	13,236	8,866	24,928
Pawnbroking Scrap	7,185	9,069	16,478
Gold Purchasing	7,178	15,304	24,487
Personal Loans	836	1,629	2,928
Other Services	1,164	833	1,781
Total Revenue	43,860	50,450	99,275

Gross Profit	**6 months ended 30 June 2014 Unaudited Total £'000**	**6 months ended 30 June 2013 Unaudited Total £'000**	**12 months ended 31 December 2013 Audited Total £'000**
Pawn Service Charge	14,261	14,749	28,673
Retail	4,866	4,026	9,922
Pawnbroking Scrap	(219)	1,935	1,830
Gold Purchasing	1,310	3,766	4,784
Personal Loans	836	1,629	2,928
Other Services	1,164	833	1,781
Total Gross Profit	22,218	26,938	49,918

The Board have updated the segmental reporting to present all the unsecured lending products in one segment due to a change in the way the chief operating decision maker views the business. The Personal Loans segment now includes Pay Day Advance, KwikLoan and the new Personal Loan. Other Services includes Third Party Cheque Cashing, FX, Buyback, Western Union and Other income. The earlier periods reported above been restated.

Unaudited notes to the condensed interim financial statements (continued)

For the 6 months ended 30 June 2014

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 2014 Unaudited	**6 months ended 30 June 2014 Unaudited**	**6 months ended 30 June 2013 Unaudited**	**12 months ended 31 December 2013 Audited**
	Total £'000	**Total £'000**	**Total £'000**
Operating profit	2,376	5,061	7,574
Depreciation	1,571	1,598	3,185
Amortisation	196	209	419
Impairment	-	-	517
EBITDA	4,143	6,868	11,695

Note 4 Borrowings

	6 months ended 30 June 2014 Unaudited £'000	**6 months ended 30 June 2013 Unaudited £'000**	**12 months ended 31 December 2013 Audited £'000**
Secured borrowing at amortised cost			
Bank loans	20,796	34,754	29,000
Unamortised issue costs	(319)	(471)	(395)
Total borrowings	20,477	34,283	28,605
Short term portion of bank loan	1,796	754	3,000
Unamortised issue costs	(153)	(153)	-
Amount due for settlement within one year	1,643	601	3,000
Long term portion of bank loan	19,000	34,000	26,000
Unamortised issue costs	(166)	(318)	(395)
Amount due for settlement after more than one year	18,834	33,682	25,605

Unaudited notes to the condensed interim financial statements (continued)

For the 6 months ended 30 June 2014

Note 5 Finance costs

	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Interest payable on bank loans and overdraft	279	349	700
Other interest	-	-	2
Amortisation of debt issue costs	76	64	140
Total finance costs	355	413	842

Note 6 Tax on profit

The taxation charge for the 6 months ended 30 June 2014 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 2014. The underlying effective full year tax charge is estimated to be 21.50% (six months ended 30 June 2013: 23.25%).

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 2014			Unaudited 6 months ended 30 June 2013			Audited 12 months ended 31 December 2013		
	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	1,438	36,093,291	3.98	3,328	36,085,586	9.22	4,851	36,085,485	13.44
Effect of dilutive securities									
Options	-	-	-	-	861,165	(0.21)	-	125,272	(0.04)
Earnings per share diluted	1,438	36,093,291	3.98	3,328	36,946,751	9.01	4,851	36,210,757	13.40

Note 8 Share capital

	At 30 June 2014 Unaudited	At 30 June 2013 Unaudited	At 31 December 2013 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 14 August 2014, the directors approved a 2.1 pence interim dividend (30 June 2013: 2.1 pence) which equates to a dividend payment of £774,000 (30 June 2013: £774,000). The dividend will be paid on 10 October 2014 to shareholders on the share register at the close of business on 12 September 2014 and has not been provided for in the 2014 interim results. The shares will be marked ex-dividend on 10 September 2014.

On 10 April 2014, the shareholders approved the payment of a 2.70 pence final dividend for 2013 which equates to a dividend payment of £995,000 (2013: £2,968,000). The dividend was paid on 6 June 2014.