H&T Group plc

Preliminary Results
for the year ended 31 December 2013

H&T Group ("H&T" or the "Group"), is pleased to announce its preliminary results for the year ended 31 December 2013.

John Nichols, Chief Executive of H&T Group, commented:

"2013 was a challenging year for the pawnbroking industry, with the sector impacted by a sudden fall in the gold price in Q2 2013, heightened competitive activity and regulatory challenges across the wider UK alternative credit sector.

Despite this challenging back-drop the Group has performed resiliently. We have focused on reducing net debt and increasing retail sales to counter the reduction in revenues from scrap disposition. We have also carried out measured cost reductions which resulted in lower operating costs in 2013, despite the Group's larger footprint. This reduction is expected to continue into 2014 as we benefit from the full year effect of measures implemented in H2 2013.

The Board continues to believe that the current number of stores in the sector is unsustainable and we expect to see further consolidation and rationalisation during 2014. We believe that the combination of our strong balance sheet, high operating standards and business model mean that we are well positioned to take advantage of selected opportunities as and when they arise."

Financial highlights (£m unless stated)	**2013**	**2012**	**Change %**
Gross profit	49.9	62.3	-19.9%
Profit before tax	6.7	17.0	-60.6%
Diluted EPS	13.4p	35.52p	-62.7%
Net debt	20.7	27.6	-25.0%
Proposed full year dividend	4.80p	11.85p	-59.5%

Key Performance Indicators	**2013**	**2012**	**Change %**
Gross pledge book	£44.1m	£51.6m	-14.5%
Redemption of annual lending	75.5%	75.6%	-0.1%
Retail sales	£24.9m	£20.1m	23.9%
Retail margin	39.8%	49.0%	-18.8%
Purchase margin	19.5%	23.3%	-16.3%
Number of pawnbroking outlets	194	186	4.3%

Operational Highlights:

- Jewellery retail enhanced through new point of sale, pricing policy and stock replenishment
- Foreign Exchange rolled out to all stores
- Buy Back of high end electronics rolled out to all stores
- In store Pay Day Loans and KwikLoan replaced with a new flexible personal loan

H&T Group plc

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H&T Group plc

Chairman's Statement

The Group has responded well to a rapidly changing market through effective cash management, cost control and alterations to business mix. The Group remains the leading pawnbroker in the UK and during 2013 served in excess of 180,000 customers with over £100m in pawnbroking loans.

Economic and Market Background

The UK pawnbroking industry has experienced a difficult past twelve months. Reduced volumes of gold in circulation, a 29% year on year fall in the sterling gold price and the heightened competitive environment have all contributed to reduce returns on capital. Regulatory challenges across the wider alternative credit industry have added to financial pressures.

Retail store expansion has therefore all but ceased for many businesses within the industry, with operators seeking instead to conserve capital, strengthen balance sheets, dispose of marginal stores and focus on maximising existing store contributions. Pawnbrokers have re-focussed on generating recurring revenues as opposed to a reliance on gold purchasing and on maximising disposition values via retail operations.

Our Group has responded well by reducing net debt and increasing retail sales significantly to counter falling revenues from scrap disposition. With the largest pledge book in the UK providing a stable source of recurring revenues the Group is well placed to benefit from any potential industry rationalisation or consolidation.

Strategy

Our Group offers immediate access to cash from attractive and convenient high street locations, as well as an on-line offering. We strive to be the UK's pawnbroker of choice, meeting customers' financial needs by offering loans secured against high quality jewellery and watches. By building close relationships and lending responsibly we aim to facilitate high redemption rates and high levels of repeat business.

The retail of quality jewellery attracts customers, informs them of the collateral we seek for pawnbroking and generates good margins on the disposition of forfeited items. We will further strengthen our retail of jewellery. This move is one of a series of steps we will take to reduce the impact of gold price volatility on our business.

Financial Performance

The Group delivered profit before tax of £6.7m in 2013, down from £17.0m in 2012. The 29% decline in the sterling price of gold accounted for the majority of this fall, significantly impacting the Group's revenues from the sale of scrap gold.

The Group has taken a measured approach to cost reductions during 2013 in light of reduced earnings and as a result the cost base in 2013 was lower than 2012 despite a larger footprint. We would expect the costs to be lower again in 2014 as the full year effect of the savings is realised.

H&T Group plc

The falling gold price has provided an opportunity in retail as our jewellery has become relatively more affordable. The Group has increased focus on this disposition route in H2 13 and I am pleased to report that Q4 2013 like-for-like retail sales were up 56% year on year. Retail will play an increasingly important part in our business model going forward with the increased margins it affords.

The Group experienced a decline of 14.5% in the pledge book to £44.1m as at 31 December 2013 (2012: £51.6m) principally as a result of the competitive environment. Pawnbroking is core to the business and we have responded to this decline by measured expansion in the asset classes we take as security, additional staff training and expert support on quality watches and gemstones together with focussed marketing efforts.

As a board we are strategically reviewing other product developments aimed at helping mitigate the gold price volatility on our business.

During the year, 5 new pawnbroking stores were opened and 3 were acquired resulting in 194 trading units at year end. We anticipate a small number of store closures during the year, reflecting the shifting footfall on the UK's high streets, new opportunities will equally arrive to improve our footprint in favourable economic locations.

The Group's plan to improve its balance sheet strength has progressed well during the year and at 31 December 2013 Group net debt was £20.7m (31 Dec 12: £27.6m). Cash management remains a priority for the Group as we seek to establish an appropriate level of headroom both to de-risk the business and to enable us to take acquisition opportunities as they arise.

Basic earnings per share are 13.44 pence (2012: 35.92 pence).

Regulation

The regulation of consumer credit is moving from the Office of Fair Trading ("OFT") to the Financial Conduct Authority ("FCA") in April 2014. The Group is well prepared for the transition and we welcome the higher standards that this change will bring to our sector.

Dividend

Subject to shareholder approval, a final dividend of 2.7 pence per ordinary share (2012: 8.05 pence) will be paid on 6 June 2014 to shareholders on the register at the close of business on 9 May 2014. The shares will be marked ex-dividend on 7 May 2014. This will bring the full year dividend to 4.8 pence per ordinary share (2012: 11.85 pence).

The reduced dividend reflects the lower earnings in the year and the Group's intention to maintain appropriate earnings cover in light of current trading conditions.

Prospects

Our sector has witnessed two significantly adverse events in 2013; one the falling gold price, the other the regulatory and market issues around pay day lending. As a result all of the larger providers have suffered material reductions in earnings. This pressure on earnings is further compounded by the expansion in high street provision in recent years, an expansion that reached its peak in 2012, which in turn increases competitive pressure. The Board's view is that the current number of stores in the industry is unsustainable and that 2014 will be a year of consolidation and rationalisation; indeed we have already seen a number of store closures and would expect to see more.

In this new market we believe it is critical to maintain the high operating standards we have developed over many years, to drive efficiencies in the business and seek to expand the products and services that have been more recently introduced. We believe that we are well positioned in the sector in terms of financial stability and business model to take advantage of the opportunities as and when they arise.

Key to achieving these aims is the loyalty of our customers; this is achieved through the hard work and support of our staff, whom I thank on behalf of the Board and shareholders.

I would also take this opportunity to thank Alex Maby for his work in the last five years in his role as Finance Director. I am pleased to have Steve Fenerty, formerly our Commercial Director, as his successor.

Peter D McNamara
Chairman

H&T Group plc

Chief Executive's Review

The Group's trading, market and regulatory environment has become more challenging throughout 2013.

In recent years the growth in high street alternative credit has been fuelled by a combination of rising gold prices and an expansion in pay day loans; business models have evolved to maximise one or other revenue stream. The falling gold price, coupled with regulatory pressure on pay day loans, has resulted in lower earnings across the market, whilst the increase in store numbers puts pressure both on customer acquisition and balance sheets.

Our Group is of course no exception. The Group has always maintained that gold purchasing is not a core earnings stream and adequate headroom has been maintained between our average lending rates and the scrap value of gold. The Group continues to monitor its lending policy on a regular basis, with consideration of the impact on affordability (and therefore redemption rate), and its loan to value in relation to the current gold price. As a result of the Group's historic policy of maintaining an appropriate loan to value ratio we have not had to make significant changes to lending rates as, in the short term, that can damage consumer confidence.

Profit before tax in the period fell to £6.7m (2012: £17.0m) principally as a result of the lower gold price impacting on pawnbroking scrap revenues and gold purchasing gross profit. As a consequence, our priority in H2 13 has been to improve retail sales as the way to maximise disposition margins, reduce net debt and reduce costs. I am pleased to report good progress with all of these initiatives.

During Q4 2013 our like-for-like retail sales were up 56% on prior year with gross profit up 18% and this momentum has been sustained into early 2014. Costs have been reduced as planned and our net debt, as at 31 December 2013, has reduced to £20.7m from £27.6m at 31 December 2012; net debt has reduced still further since year end to £18.5m as at 31 January 2014. Our total operating costs were £44.2m in 2012, reducing to £42.3m in 2013 despite increasing the store count to 194 at 31 December 2013.

Since 2008 the Group has opened 92 new stores and closed only two. The Group expects that as a result of the lower returns now being delivered from stores there will be a small number of closures in 2014.

REVIEW OF OPERATIONS

Pawn Service Charge

The Group's Pawn Service Charge grew to £28.8m (2012: £28.4m) and now represents 54.3% of Group gross profit (2012: 45.6%).

While it is pleasing to note growth in our Pawn Service Charge in every year since flotation, the Group's key performance indicators are not performing as we would wish. Increased competitive pressure at the Group's older stores and reduced security by way of the lower gold price have contributed to lending remaining flat year on year despite the increased contribution from recent store openings. On a like-for-like basis, lending fell by 6.3% year on year.

H&T Group plc

The possibility of a further reduction in the quantities of gold in circulation remains a concern for the Group and supports our drive to widen the asset base upon which we lend. Of the £104m lent in 2013, the Group lent £7.2m on watches and £14.8m on gem set items. Increasingly, a younger generation of customers are seeking the opportunity to raise cash from electronic items such as phones, tablets, laptops and game consoles. Taking advantage of this 'asset' class the Group now offers a Buy Back service, whereby customers can sell their electronic items to H&T for cash and enter into an agreement to buy the item back within 31 days. This service is now offered in all of H&T's stores. In order to manage risk, goods taken are restricted to current models with clear routes of disposition. During the year the Group purchased £0.7m of high-end electronics using Buy Back.

In addition to the Buy Back service, other key initiatives to drive customer numbers in 2013, included:

- Focus on increasing lending on watches and gemset jewellery, up 5.7% on 2012;
- The launch of Sona Loans™, the pawnbroking service specifically for the Asian community, the first of its kind in the UK;
- The launch of foreign exchange in all stores, the service brought 31,730 new customers to H&T in 2013;
- Production of lapsed customer mailers, including a retail discount offering as a means of replenishing customer's assets;
- Engagement with the local community through the Keep it Local campaign where stores are coordinating activity to reinvigorate the local high street and engage with local business groups and charities.

The reduced gold price has placed pressure on loan to value ratios in the year as we seek to maintain adequate security in the loan whilst also being competitive to attract new customers. We have historically managed loan to value well such that even with the reduced gold price our historic loans still have adequate security. We believe this provides a competitive advantage in the short term as other providers must alter lending rates significantly to control their exposure.

Retail

Competitive pressure on lending rates and the reduced gold price have combined to significantly reduce the viability of melting stock as a source of profitable disposition of excess stock. Retail has accordingly seen significant additional focus in H2 13, acting both as a hedge against a falling gold price and as a means of supporting our loan valuations.

I am pleased to report that sales have increased by 24% year on year to £24.9m (2012: £20.1m) with most growth occurring in H2 2013. Continued capital investment into bright and welcoming stores, together with the increased working capital invested in stock levels provide the Group with a solid base from which to further grow retail sales. Other initiatives include a rebranding across a small number of trial stores, improved point of sale materials in store and allowing store managers greater operational flexibility in store. All of the above has led to a dramatic upturn in retail sales as evidenced by our quarterly like-for-like sales performance versus prior year: Q1 13: -20%; Q2 13: -4%, Q3 13: 7%; Q4 13: 56%.

The retail margin fell from 49.0% in 2012 to 39.8% in 2013. This decrease is due to an increased cost of goods resulting from higher lending rates in 2012 and repricing to reflect the lower gold price. Our focus is to use retail to drive additional gross profit and support our lending proposition by providing a profitable disposition route for unredeemed goods. We would not necessarily expect a return to historic margins without adversely impacting volume of sales.

Pawnbroking Scrap

Pawnbroking scrap profits totalled £1.8m (2012: £7.4m). Splitting this into half yearly performances reveals the impact of the gold price fall. In H1 13, profits were £1.9m with a margin of 23%, while in H2 13 losses totalled £0.1m on sales of £6.7m.

At the current gold price and current average lent rate on items forfeited (which is circa 12% higher than the Group's average overall lending rate), the Group is not expecting to make a margin on pawnbroking scrap for at least the next six months until lending rates are re-adjusted. The Group is currently focussing on maximising its pawn service charge subject to managing lending rates to ensure affordability and therefore high rates of redemption. Retail sales, as discussed, will be the key disposition route.

Gold Purchasing

Gold Purchasing profits declined from £12.0m in 2012 to £4.8m in 2013. This decrease is attributable to four key factors:

i. A lower gold price year on year. At 31 December 2013 the sterling gold price was £727 per troy ounce (31 Dec 12: £1,020). This 29% fall directly impacts on the gross profits of each transaction. The declining gold price, due to the lag between purchase and sale, has also led to a lower margin than would have been achieved in a stable price environment.
ii. Closure of Gold Bar operations. The Group's retail mall units contributed £0.7m to gold purchasing profits in 2013 as compared to £3.1m in 2012 as the Group has gradually exited this operation. Closing units throughout the year due to the flexible and short-term basis upon which the operation was founded, the Group now has no retail mall units in operation.
iii. Volume decline. Underlying gold purchasing volumes, or in other words, the weight of gold purchased, have been in decline for the last 2 ½ years. Over the last twelve months, it is estimated that the decline across the Group's store estate was 26%. The Group has always viewed gold purchasing as a short term opportunity rather than a core earnings stream.
iv. Improved retail sales. A greater percentage of gold purchased has been disposed of via the Group's retail operations as opposed to being melted and therefore recorded within gold purchasing revenues. During Q4 2013 the cost of goods sold through the retail channel was up by 118% on prior year.

We believe, that as well as remaining competitive on pricing, the Group's longevity in this market is helping to build brand recognition and trust among our customers.

Cheque Cashing

Cheque Cashing income fell to £3.3m (2012: £3.7m) due to the withdrawal from Pay Day Loans and reduced numbers of third party cheques in circulation.

The largest component of the decline was in Pay Day Loans which is no longer offered in our stores in favour of the more flexible personal loans offering that replaced KwikLoan. The Group expects that Pay Day Loans will continue to face regulatory scrutiny and pressure and notes that the FCA has committed to capping the number of rollovers to two and, after government intervention, a cap on their interest rates. These controls will impact significantly on providers of these services and we believe that this can create further opportunities for the business as we establish our personal loans offering.

Personal Loans

The Group has replaced the KwikLoan product in stores with a new more flexible personal loans offering. The new product enables a customer to choose a loan amount of up to £1000, subject to affordability, and a repayment term of up to two years. The new product is supported by new in-store applications systems, central underwriting and an enhanced administration and collections system. We plan to launch this offering online during 2014.

The loan book, net of provisions, increased to £2.0m at the year-end (2012: £1.2m).

REGULATION

The regulation of consumer credit is moving from the Office of Fair Trading ("OFT") to the Financial Conduct Authority ("FCA") in April 2014. The FCA has issued consultation documents on the new regime and plans to publish a final Consumer Credit sourcebook in March 2014. The FCA expects that all credit businesses will comply with the core FCA requirements in terms of the principles and management standards from April 2014 but there will be a period of six months to comply fully with the new Consumer Credit sourcebook.

There are a number of specific provisions within the new regime relating to High Cost Short Term Credit, designed to impact Pay Day Loans and we expect further requirements to emerge in due course. The Group has now withdrawn fully from Pay Day Loans. At present the current regulations and legislation relating to pawnbroking have been transferred to the new regime without significant changes. We do not expect the interest rate cap to impact pawnbroking at this point.

The Group has employed a Compliance Manager to supplement and enhance the existing compliance functions within the business and ensure that we manage through this significant change successfully.

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BUSINESS STRATEGY AND OUTLOOK

The Group seeks to retain its position as the UK's leading pawnbroker by providing easy access to cash and other related services in a fair, safe and friendly environment that exceeds the expectations of our customers. The Group aims to maintain its high levels of repeat custom with a continued focus on brand recognition, excellent customer service, investment in the existing store estate and maintaining its reputation for fairness and honesty.

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 developing an attractive unsecured loan offer and through better marketing, it can continue to succeed as the market adjusts in 2014. The successful introduction of new services such as Western Union and FX drives footfall to our stores enabling the Group to communicate its range of services to a wider customer base whilst also providing incremental revenue.

Current trading is in line with management's expectations for 2014 and in particular the growth in retail seen in Q4 2013 has continued into early 2014.

I would also like to add my great thanks to those of the Chairman, in recognising all our people whose skills, commitment and enthusiasm continue to drive our success, and who give us confidence in the future.

John G Nichols
Chief Executive

H&T Group plc

Finance Director's Review

FINANCIAL RESULTS

For the year ended 31 December 2013 we have delivered £6.7m profit before tax, down from £17.0m in 2012 primarily as a result of the reduced gold price and competitive environment.

The Group has taken a measured approach to cost reduction in the year resulting in total direct and administrative expenses being £1.9m lower than 2012 despite having more stores in operation. The reduction is mainly as a result of the closure of the GoldBar gold buying units as we took advantage of the flexible license arrangements and exited the units as they became unprofitable.

The Group had taken the decision to close 7 stores at 31 December 2013 and has provided a total of £729k in respect of the total expected costs of closure.

Finance costs reduced to £842k (2012: £1,532k) as a result of improved terms on the new four year credit agreement signed in January 2013 together with a lower average loan balance through the year.

CASH FLOW

The Group generated positive cash flow from operating activities of £15.4m (2012: £11.4m) despite lower earnings mainly due to a £10.2m improvement in working capital movements. The total working capital movement in the year was an inflow of £6.9m compared to an outflow of £3.3m in the prior year, the main component of these movements being the change in the pledge balance.

BALANCE SHEET

As at 31 December 2013 the Group had net assets of £88.1m (2012: £86.8m) with period end net debt of £20.7m (2012: £27.6m) delivering a reduction in gearing to 23.3% (2012: 31.8%) (see note 27). This reduction was planned in order to de-risk the balance sheet in light of the challenging market conditions.

On 30 January 2013 the Group entered into a new 4 year facility with Lloyds TSB Bank allowing for maximum borrowings of £50m, subject to covenants, at a margin of between 1.25% and 2.25% above LIBOR. At year end the Group was well within the covenants with a net debt to EBITDA ratio of 1.78x and interest to EBITDA ratio of 17.44x.

The combination of low gearing and a secure long term credit facility provides the Group with the ability to make selective investments in the future whilst maintaining appropriate headroom.

Investments

During the year the Group completed acquisitions comprising 3 stores and 4 pawnbroking loan books for a total consideration of £2.4m. The Group also opened 5 new stores during the year taking the total store estate to 194 units.

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Impairment

The reduced gold price has impacted the earnings of the Group and of the stores that have been acquired historically. The Group performs an annual review of the expected earnings of each acquired store and considers whether the goodwill is impaired. As at 31 December 2013 the Group impaired the value of 4 stores which were acquired in 2012 and 2013. The total value of the impairment was £517k.

Share Price and EPS

At 31 December 2013 the share price was 143.5p (2012: 281.0p) and market capitalisation was £52.9m (2012: £102.8m). Basic earnings per share was 13.44p (2012: 35.92p), diluted earnings per share was 13.40p (2012: 35.52p) and diluted net assets per share equated to 243p (2012: 239p).

The Group's market value fell below net asset value during the year as pressure on earnings reduced market confidence. The Group believes that the action taken to drive alternative earning streams, control costs and de-risk the balance sheet will build confidence going forward.

Steve Fenerty
Finance Director

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Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Revenue	2	99,275	129,696
Cost of sales		(49,357)	(67,413)
Gross profit	2	49,918	62,283
Other direct expenses		(32,912)	(33,435)
Administrative expenses		(9,432)	(10,763)
Operating profit		7,574	18,085
Investment revenues		1	2
Finance costs	3	(842)	(1,532)
Movement in fair value of interest rate swaps		-	418
Profit before taxation		6,733	16,973
Tax charge on profit	4	(1,882)	(4,077)
Profit for the financial year and total comprehensive income		4,851	12,896

		2013 Pence	2012 Pence
Earnings per share			
From continuing operations			
Basic	5	13.44	35.92
Diluted	5	13.40	35.52

All results derive from continuing operations.

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Consolidated statement of changes in equity
For the year ended 31 December 2013

	Note	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2012		1,805	24,961	(25)	50,542	77,283
Profit for the financial year		-	-	-	12,896	12,896
Total income for the financial year		-	-	-	12,896	12,896
Issue of share capital		25	436	-	-	461
Share option credit taken directly to equity		-	-	-	416	416
Deferred tax on share options taken directly to equity		-	-	-	(350)	(350)
Dividends paid		-	-	-	(3,941)	(3,941)
Employee benefit trust shares		-	-	-	-	-
At 1 January 2013		1,830	25,397	(25)	59,563	86,765
Profit for the financial year		-	-	-	4,851	4,851
Total income for the financial year		-	-	-	4,851	4,851
Issue of share capital		13	12	-	-	25
Share option credit taken directly to equity		-	-	-	238	238
Dividends paid		-	-	-	(3,738)	(3,738)
Employee benefit trust shares		-	-	(13)	-	(13)
At 31 December 2013		1,843	25,409	(38)	60,914	88,128

H&T Group plc

Consolidated balance sheet
At 31 December 2013

	31 December 2013 £'000	31 December 2012 £'000
Non-current assets		
Goodwill	17,738	17,681
Other intangible assets	1,400	1,181
Property, plant and equipment	12,322	13,679
	31,460	32,541
Current assets		
Inventories	29,748	26,233
Trade and other receivables	54,122	64,023
Deferred tax assets	724	723
Cash and cash equivalents	8,251	6,371
	92,845	97,350
Total assets	124,305	129,891
Current liabilities		
Borrowings	(3,000)	(34,000)
Trade and other payables	(5,338)	(6,426)
Current tax liabilities	(1,076)	(2,182)
	(9,414)	(42,608)
Net current assets	83,431	54,742
Non-current liabilities		
Borrowings	(25,605)	-
Provisions	(1,158)	(518)
	(26,763)	(518)
Total liabilities	(36,177)	(43,126)
Net assets	88,128	86,765
Equity		
Share capital	1,843	1,830
Share premium account	25,409	25,397
Employee Benefit Trust shares reserve	(38)	(25)
Retained earnings	60,914	59,563
Total equity	88,128	86,765

H&T Group plc

Consolidated cash flow statement
Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Net cash generated from operating activities	6	15,405	11,440
Investing activities			
Interest received		1	2
Proceeds on disposal of property, plant and equipment		-	600
Purchases of property, plant and equipment		(2,434)	(4,547)
Purchases of intangible assets		-	(2)
Acquisition of trade and assets of businesses		(2,366)	(2,337)
Net cash used in investing activities		(4,799)	(6,284)
Financing activities			
Dividends paid		(3,738)	(3,941)
Net decrease in borrowings		(5,000)	-
Proceeds on issue of shares		25	461
Loan to the Employee Benefit Trust for acquisition of own shares		(13)	-
Net cash absorbed by financing activities		(8,726)	(3,480)
Net increase in cash and cash equivalents		1,880	1,676
Cash and cash equivalents at beginning of the year		6,371	4,695
Cash and cash equivalents at end of the year		8,251	6,371

H&T Group plc

Notes to the preliminary announcement
Year ended 31 December 2013

1. Finance information and basis of preparation

The financial information has been abridged from the audited financial statements for the year ended 31 December 2013.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2013 or 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006 or equivalent preceding legislation.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards ('IFRS'), this announcement does not itself contain sufficient information to comply with IFRS. The Group will be publishing full financial statements that comply with IFRS in April.

2. Business and geographical statements

Business segments

For reporting purposes, the Group is currently organised into six segments - Pawnbroking, Gold purchasing, Retail, Pawnbroking scrap, Cheque cashing and Other financial services. The principal activities by segment are as follows:

Pawnbroking:
Pawnbroking is a loan secured against a collateral (the pledge). In the case of the Group over 99% of the collateral against which amounts are lent comprises precious metals (predominantly gold), diamonds and watches. The pawnbroking contract is a six month credit agreement bearing a monthly interest rate of between 2% and 9.99%. The contract is governed by the terms of the Consumer Credit Act 2008 (previously the Consumer Credit Act 2002). If the customer does not redeem the goods by repaying the secured loan before the end of the contract, the Group is required to dispose of the goods either through public auctions if the value of the pledge is over £75 (disposal proceeds being reported in this segment) or, if the value of the pledge is £75 or under, through public auctions or the Retail or Pawnbroking Scrap activities of the Group.

Gold Purchasing:
Jewellery is bought direct from customers through all of the Group's stores. The transaction is simple with the store or unit agreeing a price with the customer and purchasing the goods for cash on the spot. Gold Purchasing revenues comprise proceeds from scrap sales on goods sourced from the Group's purchasing operations.

Notes to the preliminary announcement
Year ended 31 December 2013

2. Business and geographical statements (continued)

Retail:
The Group's retail proposition is primarily gold and jewellery and the majority of the retail sales are forfeited items from the pawnbroking pledge book or refurbished items from the Group's gold purchasing operations. The retail offering is complemented with a small amount of new or second hand jewellery purchased from third parties by the Group.

Pawnbroking Scrap:
Pawnbroking Scrap comprises all other proceeds from gold scrap sales other than those reported within Gold Purchasing. The items are either damaged beyond repair, are slow moving or surplus to the Group's requirements, and are smelted and sold at the current gold spot price less a small commission.

Cheque cashing:
This segment comprises two products:

- Third Party Cheque Encashment which is the provision of cash in exchange for a cheque payable to our customer for a commission fee based on the face value of the cheque.
- Pay Day Advance is a short term cash loan repayable within 30 days, offered both in stores and on-line. Customers can secure a loan of up to £750 and agree a date for repayment of loan and associated interest. This product was substantially withdrawn during 2013 and will cease during 2014.

Both products are subject to bad debt risk which is reflected in the commissions and fees applied.

Other financial services:

This segment comprises:

- Unsecured personal loans ("KwikLoan") of up to £1000 which are repayable over a period of up to 2 years. The Group earns approximately £300 gross interest on a £500 loan over 12 months.
- The Prepaid debit card product where the Group earns a commission when selling the card or when the customer is topping up their card.
- The foreign exchange currency (Euro and US Dollar) service where the Group earns a commission when selling or buying foreign currencies.
- Western Union commission earned on the Group's money transfer service.

Only the KwikLoan product is subject to bad debt risk which is reflected in the interest rate offered.

Further details on each activity are included in the Chief Executive's Review.

2. Business and geographical statements (continued)

Segment information about these businesses is presented below:

2013	Pawn-broking 2013 £'000	Gold Purchasing 2013 £'000	Retail 2013 £'000	Pawn-broking Scrap 2013 £'000	Cheque cashing 2013 £'000	Other Financial services 2013 £'000	Consolidated Year ended 2013 £'000
Revenue							
External sales	28,797	24,487	24,928	16,478	3,307	1,278	99,275
Total revenue	28,797	24,487	24,928	16,478	3,307	1,278	99,275
Segment result – gross profit	28,797	4,784	9,922	1,830	3,307	1,278	49,918

2012	Pawn-broking 2012 £'000	Gold Purchasing 2012 £'000	Retail 2012 £'000	Pawn-broking Scrap 2012 £'000	Cheque cashing 2012 £'000	Other Financial services 2012 £'000	Consolidated Year ended 2012 £'000
Revenue							
External sales	28,415	51,774	20,149	24,795	3,746	817	129,696
Total revenue	28,415	51,774	20,149	24,795	3,746	817	129,696
Segment result – gross profit	28,415	12,045	9,881	7,379	3,746	817	62,283

Gross profit is stated after charging bad debt expenses and the direct costs of stock items sold or scrapped in the period. Other operating expenses of the stores are included in other direct expenses. The Group is unable to meaningfully allocate the other direct expenses of operating the stores between segments as the activities are conducted from the same stores, utilising the same assets and staff. The Group is also unable to meaningfully allocate Group administrative expenses, or financing costs or income between the segments. Accordingly, the Group is unable to meaningfully disclose an allocation of items included in the Consolidated Statement of Comprehensive Income below Gross profit, which represents the reported segment results.

The Group does not apply any inter-segment charges when items are transferred between the pawnbroking activity and the retail or scrap activities.

H&T Group plc

Notes to the preliminary announcement
Year ended 31 December 2013

2. Business and geographical statements (continued)

2013	Pawn-broking 2013 £'000	Gold Purchasing 2013 £'000	Retail 2013 £'000	Pawn-broking Scrap 2013 £'000	Cheque cashing 2013 £'000	Other Financial services 2013 £'000	Unallocated assets/ (liabilities) 2013 £'000	Consolidated 2013 £'000
Other information								
Capital additions (*)							3,229	3,229
Depreciation and amortisation (*)							3,797	3,797
Balance sheet								
Assets								
Segment assets	49,824	1,900	26,582	1,266	33	1,953		81,558
Unallocated corporate assets							39,749	39,749
Consolidated total assets								124,305
Liabilities								
Segment liabilities	-	-	(478)	-	(29)	(23)		(530)
Unallocated corporate liabilities							(35,647)	(35,647)
Consolidated total liabilities								(36,177)

2012	Pawn-broking 2012 £'000	Gold Purchasing 2012 £'000	Retail 2012 £'000	Pawn-broking Scrap 2012 £'000	Cheque cashing 2012 £'000	Other Financial services 2012 £'000	Unallocated assets/ (liabilities) 2012 £'000	Consolidated 2012 £'000
Other information								
Capital additions (*)	-	-	-	-	-	-	5,654	5,654
Depreciation and amortisation (*)	-	-	-	-	-	-	3,218	3,218
Balance sheet								
Assets								
Segment assets	58,272	1,472	23,779	981	1,168	1,229		86,901
Unallocated corporate assets							42,990	42,990
Consolidated total assets								129,891
Liabilities								
Segment liabilities	-	-	(459)	-	(50)	(29)		(538)
Unallocated corporate liabilities							(42,588)	(42,588)
Consolidated total liabilities								(43,126)

(*) The Group cannot meaningfully allocate this information by segment due to the fact that all the segments operate from the same stores and the assets in use are common to all segments.

H&T Group plc

Notes to the preliminary announcement
Year ended 31 December 2013

2. Business and geographical statements (continued)

Geographical segments

The Group's operations are located entirely in the United Kingdom and all sales are within the United Kingdom. Accordingly, no further geographical segments analysis is presented.

3. Finance costs

	2013 £'000	2012 £'000
Interest on bank loans	700	1,530
Other interest	2	2
Amortisation of debt issue costs	140	-
Total interest expense	842	1,532

H&T Group plc

Notes to the preliminary announcement
Year ended 31 December 2013

4. Tax charge on profit

a) Tax on profit on ordinary activities

Current tax	2013 £'000	2012 £'000
United Kingdom corporation tax charge at 23.25% (2012 – 24.5%) based on the profit for the year	2,056	4,030
Adjustments in respect of prior years	(172)	(17)
Total current tax	1,884	4,013
Deferred tax		
Timing differences, origination and reversal	(144)	(31)
Effects of change in tax rate	69	65
Adjustments in respect of prior years	73	30
Total deferred tax	(2)	64
Tax charge on profit	1,882	4,077

b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than that resulting from applying a blended standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Profit before taxation	6,733	16,973
Tax charge on profit at standard rate	1,565	4,159
Effects of:		
Disallowed expenses and non-taxable income	125	(192)
Non-qualifying depreciation	89	32
Effect of change in tax rate	69	65
Movement in short term timing differences	133	-
Adjustments to tax charge in respect of previous periods	(99)	13
Total actual amount of tax charge	1,882	4,077

In addition to the amount charged to the income statement and in accordance with IAS 12, the excess of current and deferred tax over and above the relative related cumulative remuneration expense under IFRS 2 has been recognised directly in equity. This amounted to a charge to equity in the current period of £NIL (2012: charge to equity of £350,000).

5. Earnings Per Share

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

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

Reconciliations of the earnings per ordinary share and weighted average number of shares used in the calculations are set out below:

	Year ended 31 December 2013			Year ended 31 December 2012		
	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	4,851	36,085,485	13.44	12,896	35,897,434	35.92
Effect of dilutive securities						
Options and conditional shares		125,272	(0.04)	-	413,670	(0.40)
Earnings per share diluted	4,851	36,210,757	13.40	12,896	36,311,104	35.52

H&T Group plc

Notes to the preliminary announcement
Year ended 31 December 2013

6. Notes to the Cash Flow Statement

	2013 £'000	2012 £'000
Profit for the financial year	4,851	12,896
Adjustments for:		
Investment revenues	(1)	(2)
Finance costs	842	1,532
Movement in fair value of interest rate swap	-	(418)
Movement in provisions	640	(36)
Tax expense – Consolidated Statement of Comprehensive Income	1,882	4,077
Depreciation of property, plant and equipment	3,185	2,952
Amortisation of intangible assets	419	266
Impairment	517	-
Share-based payment expense	238	416
Loss on disposal of fixed assets	187	89
Operating cash flows before movements in working capital	12,760	21,772
Decrease / (increase) in inventories	(3,359)	3,206
Decrease / (increase) in receivables	10,970	(4,628)
Decrease in payables	(731)	(1,914)
Cash generated from operations	19,640	18,436
Income taxes paid	(3,009)	(5,462)
Debt restructuring cost	(535)	-
Interest paid	(691)	(1,534)
Net cash generated from operating activities	15,405	11,440

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

7. Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")

EBITDA

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:

	2013 £'000	2012 £'000
Operating profit	7,574	18,085
Depreciation and amortisation	3,604	3,218
Impairment	517	-
EBITDA	11,695	21,303

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