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The UK's leading pawnbroker

PAWNBROKING ■ CHEQUE CASHING ■ PAY DAY ADVANCE ■ KWIKLOAN ■ JEWELLERY ■ PREPAID DEBIT CARD

H&T Group plc

Annual Report and Accounts 2007

Introduction to H&T

H&T provides a range of simple and accessible financial products tailored for a customer base who have limited access to, or are excluded from, the traditional banking and finance sector.

As at 31 December 2007 H&T was the largest pawnbroking business in the UK in terms of the size of the pledge book As a business H&T has existed in some form since the late 1800's and over the years has built or acquired some of the oldest and largest pawnbrokers in the UK Indeed the store in Edinburgh has operated from the same building for over 150 years serving the same community

More recently H&T has accelerated its development by adding new products and services and expanding the store network

On 8 May 2006 H&T floated on the Alternative Investment Market ("AIM") providing the group with access to new sources of finance and allowing the provision of equity based incentivisation to employees

H&T operates in a fast moving, competitive environment and will continue to succeed by focussing on customer needs, the development and retention of staff and the ongoing development of existing and new products together with expansion in locations

Timeline

1897: 1 store — Harvey & Thompson was founded

1992: 27 stores — Cash America buys H&T

September 2004: 57 stores — MBO backed by Rutland Partners

May 2006: 69 stores — H&T floats on AIM

December 2007: H&T operates from 89 stores

Contents

Highlights

Gross profit

▲+18.6%

up to £27 7m (2006 £23 3m)

EBITDA*

before exceptional items

▲+20.8%

up to £11 4m (2006 £9 4m)

* Earnings before Interest Tax Depreciation Amortisation as defined in note 3 of the consolidated financial statements

Operating profit

before exceptional items

▲+24.1%

up to £10 0m (2006 £8 0m)

Profit before tax was £7 4m (2006 £2 0m)

Basic EPS

excluding exceptional items

▲+23.6%

up to 14 72p (2006 11 91p)

Basic EPS was 15 17p (2006 3 65p)

Pledge book

▲+10.4%

up to £27 8m (2006 £25 2m)

Proposed dividend

▲+13.3%

up to 3 4p (2006 3 0p)

Operational highlights

- Excellent growth in all revenue lines
- Total number of stores reached 89 at 31 December 2007 (2006 77) with 12 new stores opened during the year seven acquisitions and five greenfields
- Full roll-out of gold purchasing in store, providing customers with a quicker, fairly valued cash solution
- Successful placing of 3 6 million shares in May 2007 raising over £7 million for store expansion
- Recent acquisitions will serve as a springboard for some regional development of strong pawnbroking markets in Yorkshire and the South coast

The Business at a glance:

Pawnbroking

A pawnbroking loan is secured on an item of value with a term of up to six months H&T value the item(s) based on weight and the precious metal or stones used in its manufacture The customer agrees on a loan amount and enters into a consumer credit agreement The agreement is for a period of 6 months and the customer can redeem the goods at any point during this time providing that they repay the original loan amount plus any interest due At the end of the contract, they also have the option to extend the loan for a further six months If the customer chooses not to redeem or renew the loan H&T then take action to dispose of the goods

Pay Day Advance

A Pay Day Advance (PDA) loan is a short term cash loan repayable on the customer's next pay date The service is used in a similar manner to a bank overdraft and in fact the costs are similar to a number of high street facilities The customer writes out cheques to H&T for the value of up to £750 and is given the value of the cheques less a 13% charge in cash The customer then has the option to

- Allow the cheques to be banked,
- Pay them off in cash, or
- Extend the cheques for a further 30 days by paying the charge owed

KwikLoan

Kwikloan is a simple way for customers to obtain an unsecured loan of up to £750 which is repaid over 12 months by direct debit Before issuing a loan we establish the customer's identity, confirm their income and employment, and ensure that they manage their bank account in a reasonable way If approved then the customer enters into a consumer credit loan agreement and we will collect the repayments on the date agreed with the customer This product provides a useful way for customers who are unable to repay a PDA in full to manage down their loan with us Customers can have either a Kwikloan or a PDA, but not both at the same time

Cheque Cashing

Cheque cashing is a service that allows customers to get cash for their cheques in a few minutes, rather than banking the cheque Most cheques are wages cheques, although other types such as personal, lottery, building society and Giro are considered Customers use H&T to speed up the cheque clearance (some building societies can take almost two weeks to clear a cheque) or to avoid banking the cheque into an overdrawn account Customers are required to provide proof of identity and address in order to use the service

Jewellery Retail

H&T offer a unique range of new and second hand jewellery sourced from our pledge book, purchased over the counter or purchased from suppliers The vast majority of items sold are from forfeited items and all are professionally cleaned and restored at the company's refurbishment centre in Kent They are then re-distributed for sale to stores across the country H&T staff are able to use their extensive product knowledge to assist customers to choose individual pieces to suit their requirements a skill which of course enables them to make the right loan in the first place

Prepaid Debit Card

A pre-paid debit card is an ideal way for customers to have the functionality of a Mastercard without the associated credit giving them the freedom to shop online, over the phone or in store As there is no loan or credit involved the application process is simple and the acceptance rate is 100% Customers leave the store with an ATM only card and the personalised Mastercard arrives in the post shortly after Cash can then be loaded to the card at over 14 000 locations across the UK including any H&T store or Post Office branch

Chairman's Statement

I am delighted to report that 2007 has seen excellent growth in all areas of the business with H&T's 2007 profit before tax and exceptional items reaching £7.2 million.

Financial Performance

The Group has delivered a year of double digit growth in gross profit, EBITDA (before exceptional items), profit before tax and exceptional items and number of stores Gross profit increased by 18 6 per cent to £27 7 million (2006 £23 3 million) EBITDA before exceptional items increased by 20 8 per cent to £11 4 million (2006 £9 4 million) Operating profit before exceptional items increased by 24 1 per cent to £10 0 million (2006 £8 0 million) We also opened 12 additional stores during 2007, taking the total number of stores at 31 December 2007 to 89

Secondary placing

On 16 May 2007, H&T completed the placing of 3 6 million new ordinary shares to existing shareholders, all UK institutions This provided the Group with £7 million of additional finance for its store expansion programme in which it invested £3 6 million during the year

Final Dividend

In accordance with the dividend policy declared at the time of the flotation, the directors are pleased to recommend a final dividend of 3 4 pence per ordinary share (2006 3 0 pence) This dividend will be paid to all shareholders on the register at the close of business on 16 May 2008

Outlook

Since the beginning of 2008 our expansion programme has continued and as of today we have already opened four new stores - two by acquisition and two greenfields This takes the total current number of stores to 93 We are confident in the Group's prospects for 2008 H&T will prosper through a mix of continued growth in the established estate, development of the 18 greenfield stores opened over the last three years and profit enhancement from the recent acquisitions The current high price of gold should also provide some profit opportunities in the short term

The hard work and commitment of staff has been central to achieving 2007's result and I would like to thank all of them for that

Peter Middleton

Peter J Middleton Chairman

What is Pawnbroking?

Pawnbroking is quite simply a loan secured on an item of value. Traditionally pawnbrokers would accept almost anything of value in order to secure the loan. The H&T pawnbroking offer is mainly based on jewellery as it is compact, high value and can be valued and if necessary resold relatively easily

How does it work?

The customer brings in the item(s) of value to the store and is asked to give an indication of how much they want to borrow This is done in order to establish how realistic the customer's expectation is, as the high margins charged by the high street jewellers can give an inflated perception of the value of the goods The store staff then use a combination of their expertise and training, together with the point of sale system to determine if there is adequate security for the loan Assuming that there is, the customer and H&T then enter into a credit agreement regulated by the Consumer Credit Act This is a contract for 6 months and carries interest of 8% to 9% flat rate per month The rate charged is dependent on local competition and the location of the store

During the contract the customer can

- **Redeem the pledge.** This means they pay H&T the value of the loan, plus the interest accrued to date or
- **Renew the pledge.** This means they pay H&T the interest only and a new loan agreement is issued for a further six months

Approximately five months after the date of the loan we will write to the customer explaining that the contract is almost due and reminding them of the final date to redeem We write again once the contract is expired to give the customer one more chance to redeem or renew their pledge

If the customer does not redeem or renew then we have to attempt to realise the value of the pledge to repay the loan

The Consumer Credit Act sets out a different treatment for pledges over £75 and those £75 and under

- Over £75 These pledges are sent to public auction with a reserve price In the event that the pledge is sold then H&T retains the value of the loan, interest to date plus a small administration fee
  Any surplus is repaid to the customer

- £75 and under These pledges become the property of H&T immediately the rules relating to the surplus do not apply due to the lower value of the items concerned

Regardless of the outcome H&T does not pursue the customer in the rare circumstances when there is a shortfall between the amount due under the agreement and the amount recovered when the item is sold Therefore if the customer is unable to redeem there will be no further consequences and their credit rating is unaffected

"As Good as Gold"

For some, lending money can be a risky business, but not for H&T The loan is secured on gold and precious stones (over 98% of our pawnbroking business) and that security is left in our possession for the duration of the contract If the loan forfeits, then the collateral can be easily liquidated, in almost all cases at a profit

Valuations, how H&T manage the process

A pawnbroker advances money secured on items of value Therefore it is vital that we can determine what those items are worth to ensure adequate security, whilst also being able to give the customer what they want

(1) H&T's pledge book is almost entirely gold and diamond set jewellery as those items are relatively easy to value and in the event of default they can be sold either through the window or as a commodity

(2) Our staff ask the customer how much they would like to borrow and perform a visual examination of the item Using the weight and metal type we now have a good idea of what the item is worth based on our general lending guidelines

(3) If we can meet the customers expectations then the item is tested with a range of acids to determine the metal type and carat, while diamonds are verified using electronic testing equipment

(4) The customer details and a full description of the item are entered to the computer system which calculates a range of loan values in accordance with Group policy A credit agreement is produced and the cash issued to the customer

Our Customers

Our pawnbroking customers come from a wide range of social and demographic backgrounds and bring with them a multitude of different items of jewellery, from a heavyweight belcher chain to a 1970s Rolex to a 5ct diamond solitaire.

The single factor that unites them is the ownership of an asset and a requirement for short term cash

Use of Funds

Generally our customers use the funds obtained for day to day expenses with a small number borrowing to solve the short term cash needs of their businesses

The H&T Difference

H&T has a long established culture of customer service and our staff strive to help and empathise with our customers It is common to hear first names being used in the stores and equally the customer to call our staff by their first name This is not the result of scripts or training but rather an expectation that they are there to help the customer during what may be a difficult time The key to this relationship is the autonomy given to the store managers in their management of the customer relationship This maintains the customer relationship and provides that flexibility and helpfulness that is so often missing from the rest of the high street

December 2006 Research

Historically we have scored well in independent research and mystery shopping of our stores The most recent survey was in December 2006* using both quantitative and qualitative techniques and interviews of 250 customers Once again the research demonstrated high levels of customer satisfaction, with over 88% of customers rating their satisfaction with H&T 8 or more out of 10

* Source Research by Precient December 2006

Around 72% of respondents had a bank account

Around 56% had access to the internet at home

"AS FAR AS I'M CONCERNED, IT'S LIKE COMING INTO MY LOCAL BANK OR BUILDING SOCIETY THE SHOP IS MODERN AND THE STAFF ARE ALWAYS FRIENDLY AND HELPFUL"

Walworth Rd 07

"I LIKE THE FACT THAT I CAN NOW SELL MY JEWELLERY AS WELL AS GETTING A LOAN ON IT IT MEANS THAT I CAN GET CASH FOR THOSE ITEMS I'D FORGOTTEN I EVER HAD!"

Clapham 07

"I HAD VISIONS OF THE STORE BEING REALLY OLD-FASHIONED, AND WAS PLEASED AND SURPRISED WHEN I WENT INSIDE IT REALLY IS JUST LIKE ANY OTHER JEWELLERS ON THE HIGH STREET"

Crawley 07

"NOTHING'S FOR FREE NOWADAYS, EVERYTHING HAS GOT A BIT OF INTEREST IN IT AND I'M HAPPY BECAUSE THEY ARE DOING A SERVICE FOR ME I'M HAPPY TO PAY THE LITTLE BIT OF INTEREST THAT IT COSTS"

Burnt Oak 06

Chief Executive's Review of the Business

2007 was a record year for H&T on a number of metrics Our business model has proved scaleable, with new stores and continued improvements to our existing businesses driving strong growth

During 2007 H&T has set a number of new records Turnover and gross profit of all business segments increased by double digit figures Pawnbroking activities, comprising Pawn Service Charge and Disposition represented 87 per cent (2006 88 per cent) of total 2007 gross profit and grew 17 per cent year on year Gold asset-backed lending continues to see strong demand both in existing and new markets At the same time financial services activities, comprising Cheque Cashing and Other Financial Services, represented 13 per cent (2006 12 per cent) of total 2007 gross profit and grew 29 per cent year on year The transition in 2006 of the back office functions of Cheque Cashing and Pay Day Advance in-house gave us the opportunity to market these products more effectively during 2007

H&T remains the UK's leading pawnbroker by size of pledge book and had 89 outlets across the UK at the end of 2007 The estate increased by the record number of 12 stores (2006 nine) during 2007 Of these five were greenfield stores and seven were acquired branches The acquisitions located in Yorkshire, Nottinghamshire and the South Coast will give us access to new markets where pawnbroking has historically been strong We will be looking at expanding in those regions through a regional hub system and take full advantage of market potential

The continuing growth we derive from our established and greenfield stores combined with profit-enhancing acquisitions has led to record profits Operating profit before exceptional items reached £10 0 million in 2007 (2006 £8 0 million), a 24 1 per cent increase on 2006

REVIEW OF OPERATIONS

Pawn Service Charge
H&T has been the largest pawnbroker in the UK based on the size of the pledge book for many years and as at 31 December 2007 had a pledge book of £27 8 million (2006 £25 2 million)

Pawn Service Charge

Pawn Service Charge (PSC) represents all income earned up to the completion of a pledge The main items are interest and net profit from auctions after returning any surplus to the customer

In 2007 PSC represented 61 9% of gross profit (2006 65 6%) and 71 2% of total pawnbroking gross profit (2006 74 6%)

The average loan in 2007 was £111 (2006 £105), the yield on the pledgebook was 66 2% (2006 62 5%)

▲11.9%
growth in PSC gross profit

▲32.7%
increase in gross profit from disposition activities

Disposition

Disposition refers to the entire process to dispose of forfeited pledges The key routes are retail through the stores and scrap Given the higher margin our preferred route is via retail

Retail
The Company's retail proposition is primarily gold and jewellery and almost all (94 7%) retail sales are items sourced from pawnbroking or purchasing operations We complement our retail offering with a small amount of new jewellery

We have incorporated the retail offering into all but one H&T branded outlet and all new H&T Pawnbrokers now have a dedicated retail window, most including an internal display with a separate retail counter

Profitability in this area is driven by sound valuation at the point of purchase or lending and also by the management of appropriate stock Our preference is to retail the stock that is produced from forfeited loans purchased over the counter to maximise our returns

The advantage of H&T over other retailers is that the cost of our supply is relatively low and we can scrap surplus items and still make a profit This offsets the fact that we have little choice over our supply and therefore must retail what we have available to sell

As almost all items retailed come from pawnbroking or purchasing operations we are able to offer an excellent value proposition that is extremely hard to beat on the high street

Scrap
Items that are damaged beyond repair, slow moving or surplus to retail requirement may be smelted and sold at the current gold spot price less a small commission The point of sale system reduces the amount lent or paid on items identified as scrap or low quality so we are still able to make a reasonable margin on scrap sales

As indicated in the 'develop and establish new products and services" section of this review the growth in the pledge book was impacted by the full roll out of gold purchasing The increase in pledge book combined with an improved yield translated to an 11 9 per cent increase in Pawn Service Charge Maintaining his market leading position remains a priority for the Group

Disposition
The sale of forfeited items to the general public ("Retail") is the most important element of Disposition generating higher margins when compared with items that are sold in auction or scrap Although the general trading environment on the high street deteriorated during the last quarter of 2007, I am delighted to report that trading remained good for H&T and we achieved turnover growth of 18 8 per cent year on year (11 7 per cent LFL) while increasing Retail gross profit margin to 49 4 per cent (2006 44 2 per cent) This has resulted in gross profit increasing by 32 6 per cent between 2006 and 2007 This very strong performance is a result of the continued investment in training, marketing and a wider product range

In 2007, Scrap gross profit reached £1 5 million (2006 £1 1 million) This £0 4 million increase is as a result of the increase in the price of gold (£0 2 million) and higher Scrap volumes (£0 2 million)

OTHER FINANCIAL SERVICES

Cheque Cashing and Pay Day Advance
In January 2006, H&T brought in-house the back office for underwriting the in-store Cheque Cashing and Pay Day Advance businesses enabling the Group to manage both products internally saving the fees previously paid to a third party It has also allowed us to apply our own expertise in managing this product without the restrictions imposed by a third party

▲£0.8m
increase in revenues net of bad debt from PDA and Cheque Cashing activities

▲33%
increase in the KwikLoan loan book

Our experience in 2007 on Cheque Cashing appears to go against the market trend Whilst our competitors reported difficult times and reducing turnover H&T turnover grew by 7 per cent on a like-for-like basis Although this is encouraging we acknowledge that this is in the face of a changing market Pay Day Advance continues to provide excellent growth We did however experience a small increase in the percentage of bad debt which was expected in the context of a rapidly expanding loan book

In 2007 gross revenues from Cheque Cashing increased to £2 2 million (2006 £1 9 million) and Pay Day Advance increased to £2 9 million (2006 £1 8 million)

The revenues net of bad debt from Cheque Cashing and Pay Day Advance increased to £3 4 million (2006 £2 6 million)

KwikLoan
The KwikLoan product has continued to develop as a medium term alternative for our Pay Day Advance customers As in 2006 our focus has been on the development of Pay Day Advance with KwikLoan growing alongside it We believe there is further opportunity to grow the KwikLoan product through the development of the loan term, loan value and the customer base

The KwikLoan loan book increased from £0 4 million to £0 5 million in the 12 months to 31 December 2007 KwikLoan gross profit increased by 45 5 per cent during the same period

Point of sale development
In 2006 we commenced the development of our new point of sale system which will unify the current store and head office systems which have developed over a number of years with one, purpose built, application to support all current business activities

The use of new technology will result in some improvement in operational efficiency but more importantly, will simplify store

Other Financial Services

Cheque Cashing
Cheque Cashing 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 The average cheque value in 2007 was £355 (2006 £364), with the average fee being £23 (6 4%)

The cheques are normally in respect of wages and the service is used as a quick and convenient alternative to a bank overdraft The product simply serves a short term need for cash

In order to manage the risk associated with cashing third party cheques we have access to a variety of information from credit reference agencies to internet directories as well as our own point of sale system and database of customer activity

Pay Day Advance
Pay Day Advance is a simple form of credit, where the advance is repaid by cheques presented by the customer at the point of the loan The contract allows for 30 days credit and the average advance in 2007 was £452 (2006 £435), with a typical charge of 13% (2006 13%) per 30 days

The customer will agree a date for the cheque to be banked then either

- Pay additional fees for another 30 days (Extend), or
- Pay the face value of the cheque in cash (Settle), or
- Allow the cheque to be deposited into our account

▲12
new outlets added to the store portfolio

▲£7m
additional capital raised

KwikLoan
H&T identified the need for an unsecured loan product that had a longer duration than a Pay Day Advance The principle is that some customers are unable to repay the lump sum of a Pay Day Advance after 30 days and prefer a smaller regular repayment The underwriting criteria are essentially the same as for a Pay Day Advance although we do more verification to ensure that the customer is likely to be a reasonable risk for the duration of the loan

KwikLoan is currently offered over a 12 month period for loan values up to £750, although the average is closer to £600 We earn approximately £300 gross interest on a £500 KwikLoan over a 12 month period

Prepaid Debit Card
H&T offer a prepaid debit card on behalf of Advanced Payment Solutions (APS) under the CashPlus brand The card is an instant issue Cirrus card (which allows ATM access immediately), with a personalised MasterCard issued to the customer in the post within 10 days For further product information refer to www apsgroup com

H&T were the first national chain to provide the CashPlus card in the UK and we remain one of the largest customers of APS

The card is the ideal vehicle to provide funds to our customers in a more convenient form than cash The card is the natural extension to each of our cash based products with the store staff cross selling the benefit as part of our pawnbroking and cheque cashing transactions We expect the card to enhance our relationship with customers, increasing retention and loyalty as they will use our outlets to load additional funds on to the card

The customers value the status of having a MasterCard and the ability to use the card online, with over half the transactions on the card being for internet purchases

operations to enable us to achieve the full potential of the existing product range and implement new products more easily

Although the development of our new point of sale system is taking longer than originally anticipated, the project remains within budget and is expected to be fully rolled out into all stores by late summer Since the beginning of the project we have incurred capital expenditure of £1 3 million and the total cost including implementation is expected to be in the region of £1 8 million

BUSINESS OVERVIEW AND STRATEGY

Our growth strategy is based on two main streams Each of them is progressing in line or ahead of the Board's expectations

1 Expand geographical footprint
The significant fragmentation in the UK pawnbroking market will continue to provide the Group with acquisition opportunities In addition there remains substantial opportunity for organic growth with a significant number of towns with an appropriate population size and demographic mix to support a greenfield store

H&T's strategy at IPO was to develop 30 units between 2006 and 2008, both through greenfield stores and acquisitions using current resources whilst maintaining cash flow and earnings growth at an appropriate level During 2007 we added 12 outlets (2006 nine) to the store portfolio - five greenfield and seven acquisitions Two of the acquisitions opened up new regions to us, in Yorkshire and the South coast and can now be used as a regional hub to further develop these key markets We would expect to grow the store footprint by a similar number during 2008 and exceed the original 30 unit target

Initially, new pawnbroking units tend to be loss-making As a consequence expanding the store base can suppress short term earnings growth but provides significant medium term benefit

The Group is actively pursuing acquisitions to accelerate the consolidation of the industry. During the year the Group issued 3.6m shares to raise additional capital of £7m, of which £3.4m remained at the year end. This new capital and the headroom available on existing borrowing facilities provide the Group with the resources to complete a number of further transactions. The H&T Board will make acquisitions selectively appraising each opportunity fully before proceeding with a transaction. Consequently, the timing and nature of these transactions depends on the availability of appropriate opportunities.

Our greenfield stores are performing well and are on average exceeding our expectations in terms of pledge book growth. Whilst encouraging, we note that given the maturity of these stores they will not have a significant impact on revenues in the immediate term. These stores will nevertheless deliver a greater contribution to group profitability over the next few years.

2 Develop and establish new products and services

During 2007 we introduced the purchase of gold and jewellery into all of our stores. This minimises the time required to access the asset for disposition and also enables simpler communication with the customer. Whilst this has the effect of reducing the pledge book as customers who would previously pledge now sell, it allows a more efficient use of capital as those goods are held for only 30 days, rather than up to eight months for a pledge.

The strategy in 2008 is to further develop gold purchasing and to expand the portfolio of unsecured products, using the Pay Day Advance and KwikLoan models to their best advantage. All of these products provide customers with a simple and accessible route to cash, a service that is invaluable especially in the current credit climate. We believe that through cautious development we can expand our customer base, whilst maintaining an acceptable risk profile.

The prepaid card continues to attract new customers to the stores although the general market awareness has taken longer to develop than anticipated.

REVIEW OF THE PAWNBROKING MARKET

Competition

The competitive environment has not changed substantially in the last year.

The pawnbroking industry remains very fragmented. Although there are no official statistics, the National Pawnbrokers Association estimates that there are around one thousand pawnbroking locations in the UK.

In this environment it is critical to maintain the high levels of customer service in store and by doing so we will continue to be the first choice for our customers.

Regulation

There have been no changes to regulation that will have an impact on the products and services we offer.

Current Trading and Outlook

The increasing awareness of the pawnbroking industry will undoubtedly provide opportunities in the coming year. I believe that the current portfolio of pawnbroking and other financial services products will enable H&T to capitalise on those opportunities.

Against wider perception, the general economic climate is not necessarily a driver for our business – we do not and have not seen the pawnbroking industry as cyclical. Our success has been based on the fundamentals of a well run business, with the focus on the customer and an understanding of the opportunities to grow within a fragmented market. We remain confident that we can achieve further success.

Finally I would like to recognise the hard work and commitment of our staff year after year and give them full credit for our 2007 business achievements. Thank you all.

John G Nichols Chief Executive

Finance Director's Review

Due to the materiality of the amount of exceptional items in 2006 and in order to have meaningful comparatives in 2007, some of the metrics used to report performance are presented excluding these exceptional items

International Financial Reporting Standards (IFRS)
In accordance with the AIM's reporting regime, the Group has adopted International Financial Reporting Standards ("IFRS") for the financial year ended 31 December 2007 rather than UK Generally Accepted Accounting Practice ("UK GAAP") as the basis to report its financial results This transition has lead to some differences between reported numbers under IFRS and UK GAAP that are simply a result of the accounting framework change and are not a reflection of a change in business performance The Group released on 1 August 2007 a report on the impact of IFRS (relative to UK GAAP) on H&T's results which is accessible on the Group's website (www handtgroup co uk)

Turnover and gross profit
Turnover in 2007 grew 19 5 per cent to £38 4 million compared with £32 1 million in 2006 Total gross profit in 2007 increased by 18 6 per cent to £27 7 million (2006 £23 3 million) driven by the turnover growth across all business segments

Other direct expenses and Administrative expenses
The other direct expenses in 2007 were £12 8 million compared with £10 9 million in 2006 The 18 0 per cent increase in other direct expenses was primarily driven by the development of twelve additional stores and the overall increase in business volumes At the same time the Group's administrative expenses before exceptional items increased by £0 4 million from £4 4 million in 2006 to £4 8 million in 2007

Operating profit
During 2007, EBITDA before exceptional items increased by 20 8 per cent to £11 4 million (2006 £9 4 million) The Group recorded a 24 1 per cent increase in operating profit before exceptional items reporting £10 0 million in 2007 compared with £8 0 million in the previous year Exceptional expenses in 2006 of £1 9 million were incurred as part of the IPO After taking account of the exceptional items, H&T's operating profit was £10 0 million in 2007 compared with £6 1 million in 2006

Finance costs and similar charges
Finance costs before exceptional items decreased by £1 2 million from £3 9 million in 2006 to £2 7 million in 2007 This reduction was a result of the restructuring of bank facilities and loan notes at the time of H&T's admission to AIM in May 2006 combined with the unspent new money raised in May 2007 The restructuring in May 2006 incurred an exceptional charge of £0 8 million in the 2006 financial year (2007 £nil)

Profit before taxation
Profit before taxation and exceptional items increased by £2 5 million from £4 7 million in 2006 to £7 2 million in 2007 The 2007 result was impacted by a £0 2 million (2006 £0 05 million) exceptional profit relating to the disposal of a freehold property while the 2006 result included a £1 9 million exceptional administrative expense relating to H&T's admission onto AIM and £0 8 million of debt restructuring costs As a result the Group recorded a profit before taxation of £7 4 million in 2007 compared with a profit before taxation of £2 0 million in 2006

Taxation
The 2007 effective corporation tax rate excluding exceptional items was 31 per cent (30 per cent in 2006)

Earnings per share
Basic earnings per share for 2007 were 15 17p compared with 3 65p in 2006 Diluted earnings per share for 2007 was 15 14p compared with 3 65p in 2006 After adjusting for exceptional items referred to in the profit before taxation section adjusted basic earnings per share increased by 23 6 per cent from 11 91p in 2006 to 14 72p in 2007

Dividend
The H&T Board has recommended a final dividend of 3 4p per share (2006 3 0p) giving a total dividend per share of 5 0p for 2007 (2006 3 0p)

Cash flow and capital expenditure
The Group generated cash of £6 3 million in 2007 from operations (2006 £7 6 million) This result was impacted by the increase in receivables (£3 2 million) driven by the growth in the pledge book and loan portfolio and in inventories (£2 1 million) between 2006 and 2007 The Group invested £3 6 million (2006 £1 0 million) in the acquisition of pawnbroking and cheque cashing businesses and assets

Capital expenditure during the year was £1 9 million (2006 £1 6 million) Of this, £1 5 million related to new stores opened or acquired during the period and store refurbishments The Group also spent £0 4 million in store and head office new hardware for both the existing and future EPOS systems An investment of £0 2 million in the new EPOS software was reported in intangible assets

New money/debt structure
The Group placed 3 6 million new shares in May 2007 raising £7 0 million net of expenses

The Group repaid £1 5 million of facility A debt in 2007 Net debt (before unamortised debt issue costs) was £32 2 million at 31 December 2007 compared with £34 7million at 31 December 2006 The Group has in place a hedging agreement fixing the interest rate on £35 0 million of banking debt for a period ending 30 June 2009

Return On Capital Employed (ROCE)
ROCE, defined as profit before tax excluding exceptional items, interest receivable finance costs and movement in fair value of interest rate swap as a proportion of net current assets and tangible and intangible fixed assets, (excluding goodwill) increased from 20 2 per cent in 2006 to 21 7 per cent in 2007

Laurent P Genthialon Finance Director

Our People

H&T operates in a competitive environment and the ability to deliver the right level of service, whether on loans, cheques or in retail is vital to the future development of our business

In order to achieve that level of service we need the right people in our stores, well trained, motivated and managed The store manager is the key to that success and we pride ourselves on the experience and ability of our field management team

Training and Development

Our training process consists of internal training sessions modular training in store and specialist external training This layered approach ensures our new staff fully develop their skills in each product before moving on to the next module

We have a well established appraisal system to identify and develop management candidates and we aim to promote internally wherever possible

Accreditations

H&T achieved the Investors in People accreditation in 2002

Top Team Award

H&T seek to recognise and reward exceptional performance within the business through incentives, bonuses and awards The most prestigious of those is the Top Team award which measures success across all business areas The winner for 2007 was Tony Doyle and the team of our Stretford store

"I joined H&T as an assistant in 1985 when they took over the shop I was working in and was then promoted store manager of Stretford. H&T only had 18 stores at the time. Since then the Company has launched some new products, opened a lot of new stores and modified the store design One of the few things that has stayed the same is the commitment of H&T to its customers and staff

My team and I are very proud to have won this award, it means a lot to us We can't wait to go to Dubai!"

Tony Doyle

Directors, Officers and Advisers

The Directors

John G Nichols (Chief Executive), 57
After an early career in the RAF, John entered the leisure industry with the Rank Organisation where he held several senior executive positions

John joined H&T as Managing Director in 1997 and subsequently became Chief Executive He has been instrumental in developing and implementing the business strategy and delivering consistent growth in revenues and profitability He has also been instrumental in the initiative to obtain the ISO9001 and Investors in People accreditations

He is currently President of the National Pawnbrokers' Association, a position he has held since October 2004

Laurent P Genthialon (Finance Director), 36
Laurent has spent his career in a variety of accounting and financial management positions in the UK and Europe As the finance director of Oddbins from 2002 to 2005 he gained valuable experience in financial management and business turn-around during a change of ownership and subsequent restructuring of this retail group

Laurent joined H&T in May 2005, and since then, has completed a number of internal projects to restructure the financial reporting functions of the business and increase the operational efficiencies of the IT and finance functions

Stephen A Fenerty (Commercial Director), 35
A Chartered Accountant who trained at KPMG Stephen has pursued a variety of management roles in the alternative credit sector Prior to joining H&T, Stephen worked for The Money Shop (part of Dollar Financial, Inc) where he was responsible for new product development introducing, amongst others, foreign exchange, unsecured loans and loans brokerage

Stephen joined H&T in March 2005 as Commercial Director where he has launched the pre-paid debit card and utilised his expertise in credit management and debt collection
He is responsible both for the project management and implementation of new product initiatives and for origination and execution of new store acquisitions

Non-Executive Directors

Peter J Middleton (Chairman), 68
Peter has held several senior positions in finance and commerce including chief executive of Lloyd's of London, chief executive of Salomon Europe and chief executive of Thomas Cook He was also a managing director of Nomura Principal Finance and Terra Firma and gained direct experience of the alternative credit sector as chairman of Brighthouse
He has been Chairman of H&T since September 2004

Andrew J Brown, 63
Andrew, a Chartered Accountant, has wide ranging experience of the financial services sector, including executive positions with Sterling Guarantee Trust and Sedgwick Group He was finance director and subsequently joint chief executive of Gartmore Investment Management plc He has been a board member or chairman of a number of listed and unlisted companies and is presently a non-executive director of Oval Limited, Framlington Income & Capital Trust PLC and Thames River Capital (UK) Limited

Peter D McNamara, 57
Peter spent the majority of his career with Lloyds Bank plc, as chief manager for strategic planning, mergers and acquisitions, and then as the managing director of Personal Banking
He subsequently served as group managing director of the Alliance & Leicester plc and chief executive of Wesleyan Assurance Society, a mutual life insurance business In 2002 he left to become chairman and subsequently executive chairman of Moneybox plc, the leading ATM deployer operating in the UK, Germany and the Netherlands, which he led to flotation on AIM
He is presently executive Chairman of Notemachine Ltd and non-executive director of Radian Europe Ltd

Registered and Head Office and Advisers

Registered and Head Office
H&T Group plc
Times House Throwley Way
Sutton, Surrey, SM1 4AF
Tel +44 (0) 870 9022 600

Financial Adviser and Nominated Adviser
Hawkpoint Partners Limited
41 Lothbury London, EC2R 7AE

Broker
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Legal advisers to the Company
Eversheds LLP
Senator House, 85 Queen Victoria Street
London, EC4V 4JL

Auditors
Deloitte & Touche LLP
Global House, Crawley
West Sussex, RH10 1DL

Bankers
Barclays Bank plc
27th Floor 1 Churchill Place
London, E14 5HP

Registrars
Equiniti
Princess House, 1 Suffolk Lane
London, EC4R 0AX

Public relations
College Hill
The Registry, Royal Mint Court
London, EC3N 4QN

Corporate Governance

The directors recognise the importance of adopting good corporate governance practices in the best interests of all shareholders Although the Company is not required to report on compliance with the Combined Code ('the Code") since its shares are traded on the AIM market the Company complies, so far as practical, with the Code in the following ways

DIRECTORS

The Board

The Board comprises three executive directors and three non-executive directors Their biographies appear on page 16 A review of these shows a range of experience and expertise sufficient to bring independent judgement on issues of strategy performance, resources and standards of conduct which is vital to the success of the group The three non-executive directors hold shares (as disclosed page 22) However because the number of shares held is small and there are no cross directorships between executive and non executive directors the non-executive directors are considered to be independent

Board meetings

The Board is responsible to the shareholders for the proper management of the Group A statement of directors' responsibilities in respect of the financial statement is set out in this Annual Report

The Board meets 10 times during the year To enable the Board to discharge its duties all directors receive appropriate and timely information Briefing papers are distributed to all directors in advance of the Board meetings There is a formal schedule of matters reserved to the Board which include the determination of strategy approval of new stores and acquisitions approval of budget and major capital expenditure

At Board meetings, the agenda normally comprises a review of the management accounts a CEO review of operations a review of new store proposal and potential acquisitions and an update on the progress of the group s other strategic objectives

The Board meetings in August and March cover the approval of the interim and preliminary financial results respectively and the November meeting deals with the approval of the annual budget

The following committees deal with the specific aspects of the group s affairs

Remuneration Committee

The Remuneration Committee comprises three independent Non-Executive Directors of the Company The members of the Committee are

- Peter D McNamara (Chairman)
- Peter J Middleton
- Andrew J Brown

The Committee meets at least once in each year and at such other times as the Chairman of the Committee sees fit

The Chairman of the Committee is appointed by the Board on the recommendation of the Nomination Committee The quorum for the Committee is two

The duties of the Committee are to

- determine and agree with the Board the framework or broad policy for the remuneration of the Chairman executive Directors and any employees that the Board delegates to it,
- within the terms of the agreed policy, determine individual remuneration packages including bonuses, incentive payments share options, pension arrangements and any other benefits,
- determine the contractual terms on termination and individual termination payments ensuring that the duty of the individual to mitigate loss is fully recognised,
- in determining individual packages and arrangements give due regard to the comments and recommendations of the Combined Code and the Listing Rules,
- be told of and be given the chance to advice on any major changes in employee benefit structures in the Company
- recommend and monitor the level and structure of remuneration for senior managers below Board level as determined,
- agree the policy for authorising claims for expenses from the Chief Executive and from the Chairman of the Board and
- recommend an annual report for the Board to put to Shareholders on executive remuneration compliant with relevant legal and regulatory provisions

The Committee is authorised by the Board to

- seek any information it requires from any employee of the Company in order to perform its duties
- be responsible for establishing the selection criteria and then for selecting, appointing and setting the terms of reference for any remuneration consultants providing advice to the Committee, at Company s expense, and
- obtain at the Company s expense, outside legal or other professional advice where necessary in the course of its activities

Audit Committee

The Audit Committee comprises three independent Non-Executive Directors of the Company The members of the Committee are

- Andrew J Brown (Chairman) - Chartered Accountant
- Peter J Middleton
- Peter D McNamara

The Audit Committee reviews each year the arrangements for safeguarding auditor objectivity and independence The Audit Committee reviews the scope results and cost-effectiveness of internal and external audit and has delegated power from the Board to exercise the power from shareholders to agree fees for external auditors The Audit Committee is responsible for satisfying itself on the independence of internal auditors and on the independence and objectivity of external auditors The Committee reviews the operation of internal controls and reports to the Board on the annual review of the internal control and risk management

Corporate Governance
(continued)

Nomination Committee
The Nomination Committee comprises three independent Non-Executive Directors of the Company The members of the Committee are
- Peter J Middleton (Chairman)
- Peter D McNamara
- Andrew J Brown

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new Directors to the Board In carrying out its duties, the Nomination Committee is primarily responsible for
- identifying and nominating candidates to fill Board vacancies,
- evaluating the structure and composition of the Board with regard to the balance of skills, knowledge and experience and making recommendations accordingly,
- reviewing the time requirements of Non-Executive Directors
- giving full consideration to succession planning, and
- reviewing the leadership of the Group

Internal controls
The Board acknowledges that it is responsible for the Group's system of internal control and for the continuing process of reviewing the effectiveness of the internal controls Internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss The directors confirm that they have reviewed the effectiveness of the systems of internal control that have been in operation during the year The group has a branch internal audit function

Internal control financial
The internal control process has been reviewed and its main features are
- Financial Reporting there is a comprehensive budgeting system with an annual budget approved by the Board Monthly trading results are reported against the corresponding figures for the budget and previous year The Board also reviews re-forecasts on a regular basis
- Capital Expenditure there is a comprehensive budgeting system for capital expenditure with an annual budget approved by the Board The Finance Director authorises individual items of capital expenditure and material items are also authorised by the Board or CEO
- Cashflow an annual cashflow forecast is drawn up and approved by the Board and actual cashflow is reviewed monthly against this forecast
- Organisational Structure a clear organisational structure with defined responsibilities and clear authority levels has been set
- Branch Audit a Branch Audit function exists to ensure that group procedures regarding cash, pledges and stock handling are being adhered to

Internal control risk management
During the year, the group had in place formalised procedures to identify, evaluate and manage significant risks and to enable management to assess and regularly report to the board on issues relating to business operational, financial and non-compliance risks

Relations with shareholders
The board recognises the importance of communications with shareholders The Chief Executive's statement and the operational review on pages 8 to 13 include a detailed review of the business and future developments There is a regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the year end results and at the half year results

Going concern
Based on the Group's budgets and financial projections, the directors have satisfied themselves that the business is a going concern The Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore the financial statements are prepared on the going concern basis

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities and review of the business
The principal activity of the Company is that of a non-trading holding company for Harvey & Thompson Limited and H&T Finance Limited. The main activities of the Group continue to be pawnbroking, retail of jewellery, cheque cashing, unsecured lending and other related services operated through Harvey & Thompson Limited.

A review of the business and its future development (including the information that fulfils the relevant requirements of section 234ZZB of the Companies Act 1985) is given in the Chairman's Statement, Chief Executive's Review of the Business and Finance Director's Review on pages 3 to 14.

Principal risks and uncertainties
The directors continually identify, evaluate and manage material risks and uncertainties faced by the Group which could adversely affect the Group's business, operating results and financial condition. It is unfortunately inevitable in a business that has a stock in trade consisting of cash and gold that fraudulent losses occur from time to time. We have in place both the highest ethical requirements of our staff, continually refined and improved procedures, together with an internal audit team to address this risk. The list below details what the directors consider to be the principal risks and uncertainties and the actions taken or to be taken, to mitigate the adverse consequences. This list is not intended to be exhaustive and other risks may emerge over time.

Area	Description of risk	Examples of mitigating activities
Pawnbroking	- Loss of customers with a high level of repeat transactions	Maintenance of a high level of customer service
	- Potential changes in regulatory environment	- Continual monitoring and lobbying
Cash, pledge book and retail inventory	- Physical security of all assets	High level of investment in security systems
	Insufficient pledge securities	Staff training and pledge tests
		Monitoring of established lending criteria
		Internal audit function
Cheque cashing and unsecured lending	Significant worsening of bad debts	Investment in IT systems
		Staff training
		Continual monitoring of bad debts and lending criteria
		Internal audit function
Business operations	- Back office and communication systems failure	Established IT disaster recovery plan
People	Succession planning, retention and capability	High investment in on-going training
		Performance related pay package
Financing	Potential increase in cost of financing due to borrowings being on a floating rate	Use of hedging instruments (interest rate swap)
	- Bank funding is subject to strict financial covenants	Regular forecasting exercise and regular communication with the financing bank

Directors' Report
(continued)

Results and financial position
The Group results for the financial year, set out on page 25 and the financial position as at 31 December 2007 set out on page 27, are commented upon in the Finance Director's Review on page 14

Dividends
The directors propose a final dividend of 3 4p (2006 3 0p) per share subject to approval at the Annual General Meeting on 14 May 2008 This proposed dividend, in accordance with IAS 10 'Events after the balance sheet date' for the Group and, FRS 21 'Events after the balance sheet date for the Company has not been provided for in the attached financial statements During the year, the Company paid the final dividend for the year ended 31 December 2006 of 3 0p per share

Financial risk management objectives and policies
The Group's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk and price risk The use of financial derivatives is governed by the Group s policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks The Group does not use derivative financial instruments for speculative purposes

A summary of the principal financial risks is provided below Further detailed discussion is provided in note 29 to the consolidated financial statements

Cash flow risk
The Group s activities expose it primarily to the financial risks of changes in interest rates The Group uses an interest rate swap contract to hedge this exposure on £35,000 000 (2006 - £35 000,000) of the Group bank loans The Group has no exposure to fluctuations in foreign currency exchange rates as the Group's activities are wholly conducted in Great Britain

Credit risk
The Group s principal financial assets are bank balances and cash, trade and other receivables The Group's credit risk is primarily attributable to its trade receivables, the most significant of which are the pledge book, the KwikLoan loanbook, Pay Day Advances and Cheque Cashing balances

The risk attributable to the pledge book is considered as almost non-existent due to the presence of collaterals (the customer s pledges) which can be easily liquidated in almost all cases at a profit

The risks attached to the KwikLoan loan book and Pay Day Advances, both of which are unsecured lending, are mitigated by the continual monitoring of bad debts and a possible modification of lending criteria With respect to the KwikLoan product, the Group performs an external credit check prior to lending Similar procedures mitigate the risks associated with Cheque Cashing activities

The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The credit risk on liquid funds and derivative financial instruments is limited because of the high credit-ratings assigned by international credit rating agencies to the Group s bankers

The Group has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long term and short-term debt finance At 31 December 2007 the Group had sufficient headroom on its current borrowings and is in full compliance with all loan covenants

Furthermore the Company reviews at the appropriate time, the possibility of raising future equity finance to expand activities

Price risk
Generally the Group is not exposed to price risk as the majority of its jewellery and all of its scrap gold are obtained through unredeemed pledges, which have a cost to the Group which is lower than the resale value The Group is exposed to adverse movements in the price of gold in its gold scrap activities The Group considers this risk to be limited due to the current high margin on scrap gold Should the price of gold drop significantly, the Group can mitigate that risk by changing its lending policy on pawnbroking pledges or by entering hedging instruments

Capital structure
Details of the authorised share capital are shown in note 30 to the consolidated financial statements As disclosed in note 30 during the period 3,600 000 new ordinary shares of £0 05 each were issued called up and fully paid at the placing price of £2 04 per share

As a result of the above transaction the nominal issued share capital has increased from £1 574,285 as at 31 December 2006 to £1,754,285 as at 31 December 2007

The company has one class of ordinary shares which carry no right to fixed income Each share carries the right to one vote at general meetings of the Company

On 17 March 2008 the company has been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules of the following voting rights as a shareholder of the company

Name of holder	Percentage of voting rights and issued share capital	No of Ordinary shares
UBS Global Asset Management	8 95%	3 188 793
Aviva plc	8 29%	2,906,976
Lehman Brothers International (Europe)	7 92%	2,779,993
BlackRock Investment Management	7 69%	2 699,271
AXA Framlington	6 91%	2,424 865
Baillie Gifford & Co	4 95%	1 737,790
Jupiter Asset Management Ltd	4 46%	1,563,783
Gartmore Investment Ltd	4 29%	1 506,243
Loeb Partners Corporation	4 03%	1,413 292
Henderson Global Investors Ltd	3 26%	1 143 380
Eaglet Investment Trust PLC	2 71%	951,883

Details of employee share schemes are set out in note 31 Under these share schemes, there are currently a potential 739 336 number of shares that will be issued to current option holders at the call of the option holder Under its Articles of Association, the Company has authority to allot under these share schemes, for cash, up to a maximum of 2 098 500 ordinary shares without being required to offer such securities to all shareholders in accordance with statutory pre-emption rights

On any date no option may be granted under any share option scheme if (as a result) the aggregate nominal value of ordinary share issued or issuable pursuant to options granted during the previous 10 years under any share option scheme would exceed 10% of the nominal value of the share capital of the Company in issue on that date

There are no other potentially dilutive equity instruments in the Company in issue at 31 December 2007

No person has any special rights of control over the Company's share capital and all issued shares are fully paid

With regard to the appointment and replacement of directors the Company is governed by its Articles of Association, the Companies Acts and related legislation and requires certain directors annually to retire by rotation The Articles themselves may be amended by special resolution of the shareholders

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements property lease arrangements and employees' share plans None of these are considered to be significant in terms of their likely impact on the business of the group as a whole

Furthermore the directors are not aware of any agreements between the Company, or any other group company, and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid

Directors and their interests

The directors who served throughout the year, and to the date of this report, were as follows

Executive
J G Nichols
L P Genthialon
S A Fenerty

Non-Executive
P J Middleton
P D McNamara
A J Brown

The directors hold the following notifiable beneficial interests in the ordinary share capital of the Company

Director	Type of share	At 1 January 2007	Acquired in the year	Disposed of in the year	At 31 December 2007
J G Nichols	Ordinary 5p shares	1 400,000	–	(400,000)	1 000,000
L P Genthialon	Ordinary 5p shares	800,000	–	(200,000)	600,000
S A Fenerty	Ordinary 5p shares	400,000	–	(100 000)	300,000
P J Middleton	Ordinary 5p shares	12,000	–	–	12 000
P D McNamara	Ordinary 5p shares	12 000	–	–	12 000
A J Brown	Ordinary 5p shares	12 000	13,000	–	25 000

As a result of the Approved and Unapproved Share Option Schemes operated by the Group the following directors have a beneficial interest in options granted over ordinary shares in H&T Group plc

	At start of the year	Granted during the year	At end of the year	Exercise price	Date from which exercisable	Expiry date
J G Nichols	87 397	–	87,397	182 5p	8/9/2009	7/9/2016
	–	78,390	78,390	217 5p	17/5/2010	16/5/2017
			165,787			
L P Genthialon	63 287	–	63,287	182 5p	8/9/2009	7/9/2016
	–	55 632	55 632	217 5p	17/5/2010	16/5/2017
			118 919			
S A Fenerty	51 233	–	51,233	182 5p	8/9/2009	7/9/2016
	–	45,517	45 517	217 5p	17/5/2010	16/5/2017
			96,750			

No options have been exercised by any of the directors in the year
At 31 December 2007, the market price of the Company's shares was 204 5p and the range during the year ended 31 December 2007 was 172 0p – 250 0p None of the directors hold any interests in the shares of any other company within the H&T Group plc Group

At the forthcoming annual general meeting of the Company the following directors will retire by rotation and will be offering themselves for re-election
L P Genthialon
S A Fenerty

Directors' Report
(continued)

Directors' indemnities
Under the Company's articles of association any director is entitled to be indemnified by the Company (to the extent permitted by law) against any liability incurred by him in defending proceedings which relate to any acts or omissions in his capacity as officer of the Company In addition the Company maintains insurance for the benefit of the directors in respect of such matters which it considers to be appropriate These arrangements were in force throughout the whole of the current and preceding financial years

Personnel
Details of the number of employees and related costs can be found in note 9 to the consolidated accounts All employees have contracts of employment with Harvey & Thompson Limited the trading subsidiary in the H&T plc Group

Harvey & Thompson Limited maintains a policy of equal opportunities and is committed to ensuring that all individuals are treated fairly, with respect and are valued Harvey & Thompson Limited also has the IIP (Investors in People) accreditation which is a respected standard of good people management practice in the United Kingdom

All employees are incentivised through appropriate bonus schemes, store managers head office management and the directors also qualify for the H&T Group plc approved share option scheme (ASOS) Executive Directors and senior management also qualify for the H&T Group plc unapproved share option scheme (USOS)

Employee consultation
Consultation with employees or their representatives has continued at all levels with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economical performance of their stores areas and of the Group as a whole This is achieved through formal and informal meetings weekly information bulletins, a quarterly newsletter and every year through a store managers conference

Employment of the disabled
It is the policy of the Group to give full and fair consideration to the employment of disabled persons in jobs suited to their individual circumstances and as appropriate, to consider them for recruitment opportunities career development and training Where possible arrangements are made for the continuing employment of employees who have become disabled whilst in the Group's employment

Supplier payment policy
The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction ensure that suppliers are made aware of the terms of payment and abide by the terms of payment Trade creditors of the Group at 31 December 2007 were equivalent to 29 (2006 27) days purchases based on the average daily amount invoiced by suppliers during the year

Charitable and political contributions
During the year the Company and Group did not make any charitable donations (2006 £nil) nor any political contributions (2006 - £nil)

Independent auditors and statement of provision of information to the independent auditors
Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on behalf of the Board

J G Nichols
Chief Executive
18 March 2008

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year The directors are required to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position financial performance and cash flows This requires the faithful representation of the effects of transactions other events and conditions in accordance with the definitions and recognition criteria for assets liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the preparation and presentation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs

However, directors are also required to

- properly select and apply accounting policies
- present information including accounting policies in a manner that provides relevant, reliable comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions other events and conditions on the entity's financial position and financial performance

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent Auditors' Report on the Group Financial Statements to the Members of H&T Group plc

We have audited the group financial statements of H&T Group plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement the consolidated statement of changes in equity and the related notes 1 to 38 These group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent company financial statements of H&T Group plc for the year ended 31 December 2007

This report is made solely to the Company's members as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors Responsibilities

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the group financial statements give a true and fair view whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors Report is consistent with the group financial statements The information given in the Directors' Report includes that specific information presented in the Chairman's Statement the Chief Executive's Review of the Business and the Finance Director's Review that is cross referred from the Business Review section of the Directors' Report

In addition we report to you if in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the group financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the group financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
and Registered Auditors
Crawley United Kingdom
18 March 2008

Consolidated Income Statement
For the year ended 31 December 2007

	Note	2007 Before exceptional items £'000	2007 Exceptional Items (note 14) £'000	2007 Total £'000	2006 Before exceptional items £'000	2006 Exceptional Items (note 14) £'000	2006 Total (As restated see notes 2 and 37) £'000
Revenue	5,6	**38,363**	**-**	**38,363**	32 115	-	32,115
Cost of sales		**(10,699)**	**-**	**(10,699)**	(8,737)	-	(8 787)
Gross profit	6	**27,664**	**-**	**27,664**	23 328	-	23,328
Other direct expenses		**(12,844)**	**-**	**(12,844)**	(10 386)	-	(10,886)
Administrative expenses		**(4,836)**	**-**	**(4,836)**	(4,399)	(1 903)	(6,302)
Operating profit	7	**9,984**	**-**	**9,984**	8,043	(1,903)	6 140
Investment revenues	5,10	**35**	**-**	**35**	27	-	27
Other gains	11	**-**	**201**	**201**	-	46	46
Finance costs	12	**(2,706)**	**-**	**(2,706)**	(3 936)	(801)	(4,737)
Movement in fair value of interest rate swap		**(151)**	**-**	**(151)**	561	-	561
Profit before taxation		**7,162**	**201**	**7,363**	4 695	(2 658)	2 037
Tax charge on profit	13	**(2,232)**	**(52)**	**(2,284)**	(1,421)	386	(1 035)
Profit for the financial year		**4,930**	**149**	**5,079**	3,274	(2,272)	1 002

	Note	2007 Pence	2006 Pence
Earnings per share			
From continuing operations			
Basic	15	**15 17**	3 65
Diluted	15	**15 14**	3 65

All results derive from continuing operations

Consolidated Statement of Changes in Equity
At 31 December 2007

	Note	Share capital £'000	Share premium account £'000	Retained (deficit)/ earnings (As restated - see notes 2 and 37) £'000	Total (As restated - see notes 2 and 37) £'000
At 1 January 2006		1,000	–	(502)	498
Profit for the financial year		–	–	1,002	1,002
Total income for the financial year		–	–	1,002	1,002
Issue of share capital		574	17,790	–	18,364
Share issue costs		–	(678)	–	(678)
Share option credit taken directly to equity	31	–	–	19	19
Corporation tax on share options	13(b)	–	–	401	401
At 1 January 2007		1,574	17,112	920	19,606
Profit for the financial year		–	–	5,079	5,079
Total income for the financial year		–	–	5,079	5,079
Issue of share capital	30	180	7,164	–	7,344
Share issue costs		–	(282)	–	(282)
Share option credit taken directly to equity	31	–	–	105	105
Dividends paid	16	–	–	(1,507)	(1,507)
At 31 December 2007		**1,754**	**23,994**	**4,597**	**30,345**

Consolidated Balance Sheet
At 31 December 2007

	Note	2007 £'000	2006 (As restated see notes 2 and 37) £'000
Non-current assets			
Goodwill	17	**16,415**	14,899
Other intangible assets	18	**1,480**	804
Property plant and equipment	19	**6,093**	5,396
		23,988	21 099
Current assets			
Inventories	21	**6,720**	4 237
Trade and other receivables	22	**36,105**	31 869
Cash and cash equivalents	22	**1,966**	2 108
Derivative financial instruments	26	**–**	133
Assets held for sale	23	**–**	37
		44,791	38,384
Total assets		**68,779**	59 483
Current liabilities			
Trade and other payables	24	**(3,322)**	(3 510)
Current tax liabilities	24	**(1,193)**	(88)
Borrowings	25	**(1,766)**	(1 255)
Derivative financial instruments	26	**(18)**	–
		(6,299)	(4,853)
Net current assets		**38,492**	33 531
Non-current liabilities			
Borrowings	25	**(31,651)**	(34 617)
Deferred tax liabilities	27	**(365)**	(407)
Provisions	28	**(119)**	–
		(32,135)	(35,024)
Total liabilities		**(38,434)**	(39,877)
Net assets		**30,345**	19 606
Equity			
Share capital	30	**1,754**	1 574
Share premium account		**23,994**	17 112
Retained earnings		**4,597**	920
Total equity		**30,345**	19,606

These financial statements were approved by the Board of Directors and authorised for issue on 13 March 2008
They were signed on its behalf

J G Nichols
Chief Executive

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Note	2007 £'000	2006 (As restated - see notes 2 and 37) £'000
Net cash from/(used by) operating activities	35	**2,647**	(254)
Investing activities			
Interest received		**35**	27
Proceeds on disposal of property plant and equipment		**267**	118
Purchases of property, plant and equipment		**(2,155)**	(1,936)
Purchases of intangible assets		**(242)**	(706)
Acquisition of trade and assets of businesses	32	**(3,550)**	(1,013)
Net cash used in investing activities		**(5,645)**	(3,510)
Financing activities			
Dividends paid	16	**(1,507)**	–
Repayments of borrowings		**(2,700)**	(19,500)
Increase in borrowings		**–**	6,251
Net proceeds on issue of shares		**7,063**	17,687
Net cash from financing activities		**2,856**	4,438
Net (decrease)/increase in cash and cash equivalents		**(142)**	674
Cash and cash equivalents at beginning of year		**2,108**	1,434
Cash and cash equivalents at end of year		**1,966**	2,108

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1 General information

H&T Group plc is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is given on page 15 The nature of the group's operations and its principal activities are set out in note 6 and in the Chairman's Statement, Chief Executive Officer's Review of the Business the Finance Director's Review and the Directors' Report

2 Adoption of IFRS and changes in accounting policies

First time adoption
The Group has adopted IFRS from 1 January 2006 ('the date of transition') The effect of the transition from UK GAAP as previously reported by the Group to IFRS as at 1 January 2006 and 31 December 2006 and for the financial year ended 31 December 2006 is included in note 37 In accordance with IFRS 1 the Group is entitled to a number of voluntary and mandatory exemptions from full restatement for certain standards which have been adopted as dealt with below

Business combinations
The basis for accounting for pre-transition business combinations under UK GAAP has not been revisited

Change in accounting policy
During the current financial year, the Group has elected to change its accounting policy for the treatment of overheads directly related to bringing inventory to its present location and condition

Under UK GAAP, the Group expensed these overheads in Other direct expenses on the basis that the amount that would be absorbed to the closing stock balance was not material Upon transition to IFRS the Group has revisited the accounting treatment of these overheads and, whilst not material, has decided to include these overheads as part of the cost of inventories in accordance with both IFRS and the previous UK GAAP applied by the Group This change in accounting policy has been accounted for retrospectively and the financial statements at 1 January 2006 and 31 December 2006 have been restated

The impact on this change has been an increase in profit after taxation of £26,000 in the year to 31 December 2006 an increase in net assets of £91,000 as at 1 January 2006, and an increase in net assets of £117,000 as at 31 December 2006

Standards and interpretation in issue but not yet effective
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing costs
IFRS 8	Operating Segments
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009

3 Significant accounting policies

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments
The principal accounting policies adopted are set out below

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities Subsidiary undertakings have been included in the

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 Significant accounting policies (continued)

Group financial statements using the acquisition method of accounting. Accordingly the Group income statement includes the results of subsidiaries acquired or disposed of during the year from the effective date of acquisition or up to the effective date of disposal as appropriate

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group

All intra-group transactions balances income and expenses are eliminated on consolidation

Business combinations

The acquisition of subsidiaries or trade and assets is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued, or to be issued, by the Group in exchange for control of the acquiree plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets liabilities and contingent liabilities recognised. If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets liabilities and contingent liabilities exceeds the cost of the business combination the excess is recognised immediately in profit or loss

The Group has taken the exemption conferred in IFRS 1 'First-time Adoption of International Financial Reporting Standards" not to restate business combinations prior to the transition date of 1 January 2006 under IFRS 3

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or trade and assets previously operated through either sole partnerships in limited companies with no audited accounts at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group income statement and is not subsequently reversed

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGU") expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. The Group considers each of its stores to be a cash generating unit with the exception of the goodwill arising on the acquisition of Harvey & Thompson Limited by the Group in September 2004, where the subsidiary undertaking as a whole is the cash generating unit

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and subsequently as required by the provisions of IAS 36 'Impairment of assets'

Intangible assets

Intangible assets with a finite useful life are carried at cost less amortisation less impairment losses. Intangible assets represent intangibles which have been separately identified under IFRS 3 arising in business combinations, or meet the recognition criteria of IAS 38 'Intangible Assets'

Amortisation of intangible assets acquired in a business combination is calculated using the expected life of the intangible assets acquired

Amortisation of other intangible assets (computer software) is calculated using the straight-line method to allocate the cost of the asset less its assessed realisable value over its estimated useful life (6 to 8 years)

3 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value

Depreciation

Depreciation is provided on all property plant and equipment other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Freehold land and buildings	
Freehold buildings	50 years
Freehold improvements	10 years
Short leasehold premises	
- Leasehold improvements	Shorter of 7 years or life of lease
Motor vehicles	4 years
Computer equipment	
- Computer hardware	3 to 5 years
Fixtures and fittings	10 years

The carrying values of property plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs

Recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised in the income statement as an expense immediately

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years A reversal of an impairment loss is recognised as income immediately

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

3 Significant accounting policies (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value For stock acquired for retail sale the cost represents the purchase price plus overheads directly related to bringing inventory to its present location and condition and is measured on a first in first out basis For stock arising from unredeemed pledges the cost represents the amount originally loaned, plus overheads directly related to bringing inventory to its present location and condition Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution

Where necessary provision is made for obsolete slow moving and damaged stocks

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument

Trade receivables
Trade receivables represent amounts due from customers in the normal course of business Trade receivables include certain amounts, namely pledge receivables and KwikLoan debtors which are interest bearing The accrued interest arising on these interest bearing assets is included in prepayments and accrued income using the effective interest method All other amounts which are not interest bearing are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts which are charged to the income statement

Cash and cash equivalents
Cash and cash equivalents include cash at hand and deposits held with banks with original maturities of three months or less

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

Bank borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Where issue costs are incurred in a restructuring of loan finance, these costs are written off in the period in which they are incurred

Trade payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs

Derivative financial instruments
The Group's activities expose it primarily to the financial risks of changes in interest rates The Group uses interest rate swap contracts to hedge these exposures The Group does not use derivative financial instruments for speculative purposes

The Group has elected not to adopt the hedge accounting provisions of IAS 39 and accordingly derivative financial instruments are initially measured at fair value on the date that the contract is entered into and subsequently re-measured to fair value at each reporting date The gains and losses on re-measurement are taken to the income statement and included adjacent to finance costs

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement

3 Significant accounting policies (continued)

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Leases
Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases Operating lease rental payments are recognised as an expense in the income statement on a straight-line basis over the lease term The benefit of lease incentives is spread over the term of the lease

The Group currently has no finance leases

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation Provisions are measured at the directors best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material

Share capital and share premium account
There is one class of shares When new shares are issued they are recorded in share capital at their par value The excess of the issue price over the par value is recorded in the share premium account

Incremental external costs directly attributable to the issue of new shares are recorded in equity as a deduction net of tax, to the share premium account

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 Significant accounting policies (continued)

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services and interest income provided in the normal course of business net of discounts VAT and other sales related taxes

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured The following specific recognition criteria must also be met before revenue is recognised

- Retail comprises revenue from retail jewellery sales of both purchased stock and from the sale of pledged security from unredeemed pawn loans and is recognised at the time of sale,

- Pawnbroking, or Pawn Service Charge (PSC) comprises interest on pledge book loans, plus auction profit and loss, less any auction commissions payable and less surplus payable to the customer Interest receivable on loans is recognised as interest accrues by reference to the principal outstanding and the effective interest rate applicable which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount,

- Scrap comprises proceeds from gold scrap sales and is recognised at the time of sale,

- Cheque cashing comprises revenues from third party Cheque Cashing and Pay Day Advances The commission receivable on cheque cashing is recognised at the time of the transaction

- Other financial services comprise revenues from other unsecured lending Interest receivable on unsecured loans is recognised as interest accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount, and

- Any other revenues are recognised on an accruals basis

The Group recognises interest income arising on secured and unsecured lending within trading revenue rather than investment revenue on the basis that this represents most accurately the business activities of the Group

The Group recognises revenue and bad debt expenses (both impairments and movements on allowance accounts) on Pawnbroking, cheque cashing and other financial services on a portfolio approach The Group considers that the bad debts arising on the loans and receivables balances are a direct function of the revenue earned due to the nature of the activities, and accordingly records the net amount of interest or commissions due and bad debt expenses within revenue The Group provides an analysis of the amounts recorded against revenue in notes 6 7 and 29

Gross profit
Gross profit is stated after charging bad debt expenses and the direct costs of stock items sold or scrapped in the period

Other direct expenses
Other direct expenses comprise all expenses associated with the operation of the various shops and collection centre of the Group including premises expenses such as rent rates utilities and insurance all staff costs and staff related costs for the relevant employees

Exceptional items
Exceptional items represent material items of income or expense which derive from events or transactions that fall within the ordinary activities of the Group and which individually or, if of a similar type in aggregate need to be disclosed by virtue of their size or incidence if the financial statements are to provide a meaningful year on year comparison of results

3 Significant accounting policies (continued)

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

	2007			2006		
	Before exceptional items £'000	**Exceptional Items (note 14) £'000**	**Total £'000**	Before exceptional items £'000	Exceptional Items (note 14) £ 000	Total (As restated see notes 2 and 37) £ 000
Operating profit	**9,984**	**–**	**9,984**	8 043	(1 903)	6 140
Depreciation and amortisation	**1,368**	**–**	**1,368**	1 358	–	1 353
EBITDA	**11,352**	**–**	**11,352**	9,401	(1 903)	7 498

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

Operating profit

Operating profit is stated before investment income finance costs, other gains and movement in fair value of interest rate swap

Retirement benefit costs

The Group operates a defined contribution pension scheme which is contracted into the State Scheme The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Employee share incentive plans

The Group issues equity settled share based payments to certain employees (including directors) These payments are measured at fair value at the date of grant by use of a Binomial model or a Monte Carlo model depending on the vesting conditions attached to each scheme This fair value cost of equity-settled awards is recognised on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of any non market based vesting conditions For the share options subject to vesting market and non market based conditions the fair value cost of equity-settled awards is recognised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of any non market-based vesting conditions irrespective of the outcome of the market conditions The expected life used in the model has been adjusted based on management's best estimate for the effects of non transferability, exercise restrictions and behavioural considerations A corresponding credit is recorded in equity

No cost is recognised for awards that do not ultimately vest

Dividends

Dividends are provided for in the period in which they become a binding liability on the Group

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3 the directors are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Group's accounting policies

The following are the critical judgements apart from those involving estimations (which are dealt with separately below) that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements

Revenue recognition
Interest receivable on pawnbroking loans is recognised as interest accrues by reference to the percentage of the pawn loans that are estimated to be redeemed and the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount The estimated future cash receipts are based on the historical cash receipts experience (the 'Pledge Redemption') of the business which vary from month to month but have remained relatively constant overall over the years the business has operated The Group monitors the Pledge Redemption on a monthly basis

The Group does not recognise interest income on the pawn loans that are not expected to be redeemed The Group recognises income on these loans when the related collateral that supports the loan is disposed of, through either the scrap or retail operations of the Group The Group is of the opinion that the revenue earned on the unredeemed pledges is only realised from the Group perspective at the point at which the stock, or scrap item that the Group obtains from the pledge collateral is disposed of In arriving at this treatment the Group also considers that the transfer value from pawn loans to inventory of the unredeemed pledge collateral cannot exceed the cost to the Group of the inventory item which is represented by the underlying loan amount provided on the unredeemed pledge item

Inventories
The majority of the inventory balance is obtained as a result of default by pawn loan customers The inventory is stated at cost to the Group, being the amount initially lent on the pawn loan plus overheads directly related to bringing the inventory to its present location and condition The Group does not allocate any interest that would have been earned on the pawn loans to the cost of inventory as stated above Accordingly the profit that arises on the subsequent disposal of the inventory, through either retail or scrap includes an element which relates to the appropriation by the Group of collaterals supporting pawn loans that have a higher market value, than pawn loan amount

Dilapidations provisions
All the Group's premises are leased under operating leases The majority of the leases include end of lease rectification clauses which impose certain requirements on the Group to complete repairs and maintenance, or re decoration activities if required The Group provides for repairs and maintenance obligations as it becomes aware of any significant amounts that will be required The Group does not provide for amounts where the potential exposure cannot be reliably measured and accordingly does not anticipate potential repairs and maintenance on the portfolio of stores Additionally, the Group maintains the stores to a high standard and completes any necessary repairs and maintenance on a timely basis, addressing any events that require expenditure throughout the lease period as and when required Such costs are expensed as incurred

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

Pawnbroking loans interest accrual estimation
The Group recognises interest on pawnbroking loans as disclosed in the Critical judgements in applying the Group's accounting policies section above The pawn loans interest accrual (pledge accrual) is material to the financial statements and is dependant on the estimate that the Group makes of the expected level of redeemed pawn loans The Group estimates the expected redemptions based on the historical redemption rates achieved There is a risk that the actual redemption rate may vary significantly from the historical rate used to estimate the pledge accrual at the balance sheet date The Directors assess the pledge accrual estimate made at the prior balance sheet date annually to determine if the actual redemption differs significantly to the previous estimate No significant differences were noted for 2006 or 2007 The sensitivity of the pledge accrual to reasonable changes in the redemption rate is shown in note 29

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value Actual events may vary materially from management expectation

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair value of derivatives
The directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market Valuation techniques commonly used by market practitioners are applied For derivative financial instruments assumptions are made based on quoted market rates adjusted for specific features of the instrument This requires estimation of the future interest rates, and also the appropriate discount rate Actual events may vary materially from management expectation

Trade receivables provisioning
Trade and other receivables are stated at their nominal amount less expected impairment losses

The impairment losses on the pledge book only relate to pledges seized by the police and shrinkage The pledge book items seized by the police are impaired on an item by item basis since the Group tracks the status of each pledge individually The shrinkage provision is based on an estimate of the pledge book missing at reporting date using historical shrinkage experience

No other impairment losses are provided on the pledge book since the value of the collaterals is greater than the pledge book nominal value

The impairment of Pay Day Advance loans is subject to a portfolio approach based on an estimate of historical bad debt experience and expected recoveries

The impairment of KwikLoan loans is subject to individual assessment based on the number of payments missed If one payment has been missed a third of the remaining balance is impaired if two payments have been missed two-third of the remaining balance is impaired and if three payments or more have been missed, the whole remaining balance is impaired

With respect to all provisions that are based on estimates, there is a risk that actual losses incurred will vary significantly from management expectation at the balance sheet date if historical loss rates are not a good indicator of the actual credit risk profile or the year end receivables

For further details on the provisions and impairment losses refer to note 29 which show the amounts recorded in the period and the sensitivity at the balance sheet date to changes in the key assumptions with respect to impairment losses

Stock provisioning
Where necessary provision is made for obsolete, slow moving and damaged stock or stock shrinkage The provision for obsolete slow moving and damaged stock represents the difference between the cost of the stock and its market value The stock shrinkage provision is based on an estimate of the inventory missing at reporting date using historical shrinkage experience For further details on the provisions for inventory refer to note 7

Intangible assets – Software
The Directors have reviewed the carrying value of the new EPOS software reported under intangible assets Although the project is running behind the original timeline the project continues to progress and front end transactions can now be performed from start to finish Therefore the Directors are confident that the carrying amount of the asset will be recovered in full The project will continue to be closely monitored in future periods

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

5 Revenue

An analysis of the Group's revenue is as follows

	2007 £'000	2006 £'000
Pawnbroking, retail, scrap cheque cashing and other financial services	**38,363**	32 115
	38,363	32,115
Investment revenue	**35**	27
	35	27
	38,398	32 142

Included in the above revenues are the following items of income and gains

	2007 £'000	2006 £'000
Income		
Interest earned on financial assets not designated at fair value	**17,375**	14,892
Fees earned on financial assets not designated at fair value	**5,269**	3,864

6 Business and geographical segments

Business segments
For reporting purposes the Group is currently organised into five segments – Pawnbroking, Retail 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 98% of the collaterals against which amounts are lent is jewellery made of gold and/or diamonds The pawnbroking contract is a six month credit agreement bearing a monthly average interest rate of 8% The contract is governed by the terms of the Consumer Credit Act 2007 (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 under £75 through public auctions or the Retail or Scrap activities of the Group

Retail
The Group's retail proposition is primarily gold and jewellery and almost all retail sales are forfeited items from the pawnbroking pledge book or purchased second hand jewellery The retail offering is complemented with a small amount of new jewellery

Scrap
Items that are damaged beyond repair, are slow moving or surplus may be 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 which is a simple form of credit where the advance is repaid by post dated cheques presented by the customer at the point of the loan H&T applies a 13% charge per 30 days on the value of the advance At the end of the 30 days the customer has a choice to either extend the advance for another 30 days repay the advance or allow the cheques to be deposited in the Group's bank account

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

6 Business and geographical segments (continued)

Other financial services
This segment comprises

- KwikLoan product which is an unsecured loan repayable over 12 months of up to £750 H&T earns approximately £300 gross interest on a £500 loan over 12 months
- The Prepaid debit card product where H&T earns a commission when selling the card or when the customer is topping up their card

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 of the Business on pages 8 to 13

Segment information about these businesses is presented below

	Pawnbroking 2007 £'000	Retail 2007 £'000	Scrap 2007 £'000	Cheque cashing 2007 £'000	Other financial services 2007 £'000	Consolidated Year ended 2007 £'000
2007						
Revenue						
External sales	17 122	11,024	6,602	3 356	259	38,363
Total revenue	17 122	11,024	6,602	3,356	259	38 363
Segment result	17 122	5 443	1 484	3,356	259	27 664

As disclosed in note 3 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 income statement 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

	Pawnbroking 2007 £'000	Retail 2007 £'000	Scrap 2007 £'000	Cheque cashing 2007 £'000	Other financial services 2007 £'000	Consolidated Year ended 2007 £'000
Other information						
Capital additions (*)	–	–	–	–	–	1,154
Depreciation and amortisation (*)	–	–	–	–	–	1,308
Impairment losses recognised in income	80	–	–	1,637	799	2 516
Balance sheet						
Assets						
Segment assets	32 283	6,132	537	2,089	531	41 622
Unallocated corporate assets						27 157
Consolidated total assets						68,779
Liabilities						
Segment liabilities	–	(149)	–	(58)	(95)	(302)
Unallocated corporate liabilities						(38 132)
Consolidated total liabilities						(38 434)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6 Business and geographical segments (continued)

	Pawnbroking 2006 £'000	Retail 2006 £'000	Scrap 2006 £'000	Cheque cashing 2006 £'000	Other financial services 2006 £'000	Consolidated Year ended 2006 £'000
2006						
Revenue						
External sales	15,299	9,278	4 731	2 629	178	32,115
Total revenue	15 299	9,278	4,731	2 629	178	32,115
Segment result	15,299	4,250	972	2,629	178	23 323

	Pawnbroking 2006 £'000	Retail 2006 £'000	Scrap 2006 £'000	Cheque cashing 2006 £'000	Other financial services 2006 £'000	Consolidated Year ended 2006 £'000
Other information						
Capital additions(*)	-	-	-	-	-	1,643
Depreciation and amortisation(*)	-	-	-	-	-	1 358
Impairment losses recognised in income	66	-	-	901	4	971
Balance sheet						
Assets						
Segment assets	28 930	4 180	57	1 273	399	34 839
Unallocated corporate assets						24,644
Consolidated total assets						59,483
Liabilities						
Segment liabilities	-	(143)	-	(58)	(69)	(270)
Unallocated corporate liabilities						(39 607)
Consolidated total liabilities						(39 877)

(*) 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

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

7 Profit for the year

Profit for the year has been arrived at after charging

	2007 £'000	2006 £'000
Depreciation of property, plant and equipment reported within		
Other direct expenses	1,075	898
Administrative expenses	185	256
Amortisation of intangible assets (reported within Other direct expenses)	107	204
Cost of inventories recognised as expense	10,625	8,734
Write downs of inventories recognised as an expense	74	53
Reversal of write downs of inventories recognised in the period	-	–
Staff costs (see note 9)	8,756	7,369
Impairment loss recognised on pawnbroking financial assets(*)	2	45
Provision recognised on pawnbroking financial assets(*)	89	73
Impairment loss recognised on cheque cashing financial assets(*)	–	–
Provision recognised on cheque cashing financial assets(*)	1,758	1,134
Impairment loss recognised on other financial services financial assets(*)	517	–
Provision recognised on other financial services financial assets(*)	261	205

(*) As discussed in note 3 due to the portfolio approach adopted for recognising revenue these amounts are recorded against revenue from the related segment to present net revenues as shown in notes 5 and 6

Although the Group has written off or provided for some of the financial assets in the current and previous periods, the Group continues to seek recovery of these assets For further analysis on the movements in allowances and amounts written off, see note 29

8 Auditors' remuneration

The analysis of auditors remuneration is as follows

	2007 £'000	2006 £'000
Fees payable to the Company's auditors for the audit of the company's annual accounts	53	19
Fees payable to the Company's auditors for other services to the Group		
The audit of the company's subsidiaries pursuant to legislation	39	34
Total audit fees	92	53
Tax services	13	14
Corporate finance services	–	290
Other services	9	13
Total non-audit fees	22	317

The Company and Group audit fees are borne by a subsidiary undertaking, Harvey & Thompson Limited Included within the audit fee attributable to the Company is £25,000 (2006 £nil) with respect to the IFRS transition of the Group

The corporate finance fees in 2006 relate to work completed by Deloitte & Touche LLP with respect to the Initial Public Offering of the shares in the Company on the Alternative Investment Market (AIM) on 8 May 2006 Of these fees £109 000 (2005 £nil) was charged to the share premium account as costs associated directly with the issue of new shares

Fees payable to Deloitte & Touche LLP and their associates for non audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis

There were no fees payable to the Company's auditors and their associates in respect of associated pension schemes

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

9 Information regarding directors and employees

Non-executive directors' emoluments

3 (2006 - 3) non-executive directors receive payments for services rendered to the H&T Group plc group Their emoluments are included in the analysis below All directors are remunerated through a subsidiary company Harvey & Thompson Limited

	2007 £'000	2006 £'000
Directors' emoluments		
Aggregate emoluments	**711**	831
Company pension contributions to money purchase schemes	**18**	16
	729	847

All executive directors (2006 all) participated in Harvey & Thompson Limited's money purchase pension scheme In addition £34,000 (2006 - £8 000) was charged to the income statement in respect of the fair value of the share options granted to the directors under the different schemes

	2007 £'000	2006 £'000
Highest paid director		
Aggregate emoluments	**274**	300
Company pension contributions to money purchase scheme	**8**	7

In addition, £27,000 (2006 £5 000) was charged to the income statement in respect of the fair value of the share options granted under the different schemes

	2007 No	2006 No
Average number of persons employed (including directors)		
Branches	**358**	305
Administration	**49**	42
	407	347
Staff costs during the year (including directors)		
Wages and salaries	**7,839**	6,580
Social security costs	**831**	702
Other pension costs	**86**	87
	8,756	7 369

All directors and employees are remunerated through a subsidiary group company, Harvey & Thompson Limited in both the current and preceding financial year

10 Investment revenues

	2007 £'000	2006 £'000
Interest revenue		
Bank deposits	**35**	27

Investment revenues earned on financial assets analysed by category of asset, is as follows

	2007 £'000	2006 £'000
Loans and receivables (including cash and bank balances)	**35**	27

Interest revenue recognised on pawnbroking and other financial services is reported within turnover for the reasons discussed in note 3

11 Other gains

During the financial year the Group disposed of one freehold property (2006 - one) The disposal in 2006 was leased back under an operating lease The Group has applied the considerations of IAS 17 to the sale and leaseback transaction and recorded the full profit on disposal on an historic cost basis In arriving at this treatment, the Group concluded that the disposal proceeds and subsequent rentals are at fair market amounts

The profit on disposal of the freehold properties has been arrived at as follows

	2007 £'000	2006 £'000
Sale proceeds	**260**	90
Costs of disposal	**(22)**	(24)
Net book value of freehold properties	**(37)**	(20)
Profit on disposal reported as an exceptional item	**201**	46

The capital gains tax payable in respect of the disposal of the property is £52,000 (2006 - £17 000) In both financial years the Group has opted to hold over the gains arising on disposal of the freehold properties through reinvestment of the disposal proceeds in qualifying assets and accordingly the capital gains tax has been deferred, resulting in an increase in the deferred tax liability (note 27)

12 Finance costs

	2007 £'000	2006 £'000
Interest on bank overdrafts and loans	**2,451**	2 684
On other loans	**–**	896
Other interest	**11**	16
Total interest expense	**2,462**	3,596
Exceptional items	**–**	801
Amortisation of loan issue costs	**244**	340
	2,706	4 737

The £801 000 exceptional charge in 2006 relates to costs expensed associated with the arrangement fees of the bank loan restructuring for the reasons discussed in note 25

The £896 000 interest charge on other loans in 2006 relates to interest payable on loan notes from the previous controlling party The Rutland Fund Summarised details are provided in note 36

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

13 Tax

(a) Tax on profit on ordinary activities

	Before Exceptional items £'000	Exceptional items £'000	2007 Total £'000	Before Exceptional items £'000	Exceptional items £'000	2006 Total £'000
Current tax						
United Kingdom corporation tax charge/(credit) at 30% (2006 – 30%) based on the profit for the year	2,329	–	2,329	1 362	(402)	960
Adjustments in respect of prior periods	(2)	–	(2)	(14)	(250)	(264)
Total current tax	2,327	–	2,327	1,348	(652)	696
Deferred tax						
Short term timing differences, origination and reversal	(136)	52	(84)	71	16	87
Effect of change in tax rate	(26)	–	(26)	–	–	–
Adjustments in respect of prior periods	67	–	67	2	250	252
Total deferred tax (note 27)	(95)	52	(43)	73	266	339
Tax charge on profit	2,232	52	2,284	1,421	(386)	1 035

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	Before Exceptional items £'000	Exceptional items £'000	2007 Total £'000	Before Exceptional items £'000	Exceptional items £'000	2006 Total £'000
Profit before taxation	7,162	201	7,363	4,695	(2,658)	2 037
Tax charge/(credit) on profit at standard rate	2,149	60	2,209	1,409	(797)	612
Effects of						
Disallowed expenses and non-taxable income	44	(8)	36	24	395	419
Change in tax rate	(26)	–	(26)	–	–	–
Adjustments to tax charge in respect of previous periods	65	–	65	(12)	16	4
Total actual amount of current tax charge	2,232	52	2,284	1,421	(386)	1 035

From April 2008 the standard rate of corporation tax in the UK will decrease from 30% to 28% This new rate has been used to calculate any deferred tax expected on timing differences that are expected to reverse in a period when the new rate applies

In addition to the amount charged to the income statement, £401,000 of tax relief available to the Group arising on share options exercised in 2006 was credited directly to accumulated profits in the year ended 31 December 2006

14 Exceptional items

The Group considers certain items to be non-recurring exceptional items, and accordingly, they are presented as such in accordance with the Group accounting policy in note 3

As disclosed in note 11 during the financial year the Group disposed of one freehold property (2006 – one) making an exceptional profit of £201,000 (2006 £46,000)

In 2006, the Group incurred £3,382 000 of expenses relating to the Initial Public Offer and its debt restructuring £801,000 was incurred for the restructuring of its debt as detailed in note 25 and was expensed directly to the income statement (note 12) £678,000 was directly allocated to the issue of new shares and written off to the share premium account The balance of £1,903,000 was expensed to the income statement The effect on taxation for the year arising from these exceptional items was a tax credit of £386,000

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

The directors also present an adjusted earnings per share as the directors consider that it reflects the Group results on a comparable basis once non-recurring items are taken into consideration All the adjustments made to the non-adjusted earnings per share in arriving at adjusted earnings per share are for exceptional items disclosed separately on the face of the consolidated income statement Other than for the adjusting items the calculation is the same as for the statutory per share amounts

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 2007			Year ended 31 December 2006		
	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	5,079	33,487,898	15 17	1,002	27 489 310	3 65
Effect of dilutive securities						
Options	–	64,573	(0 03)	–	388	–
Earnings per share diluted	5,079	33,552,471	15 14	1,002	27,489,698	3 65
Earnings per share - basic	5,079	33,487,898	15 17	1 002	27 489,310	3 65
IPO costs	–	–	–	1 903	–	6 92
Fixed assets disposal	(201)	–	(0 60)	(46)	–	(0 17)
Debt issue costs	–	–	–	801	–	2 91
Tax adjustment	52	–	0 15	(386)	–	(1 40)
Adjusted earnings per share - basic	4,930	33,487,898	14 72	3,274	27 489 310	11 91
Effect of dilutive securities						
Options	–	64,573	(0 03)	–	388	–
Adjusted earnings per share diluted	4,930	33,552,471	14 69	3 274	27 489,698	11 91

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

16 Dividends

	2007 £'000	2006 £'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 December 2006 of 3 0p (2005 - nil p) per share	945	-
Interim dividend for the year ended 31 December 2007 of 1 6p (2006 nil p) per share	562	-
	1,507	-
Amounts proposed and not recognised		
Proposed final dividend for the year ended 31 December 2007 of 3 4p (2006 3 0p) per share	1,196	945

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and accordingly, has not been included as a liability in these financial statements

17 Goodwill

	Goodwill arising on purchase of subsidiaries £'000	Goodwill arising on trade and asset purchases £'000	Total Goodwill £'000
Cost and carrying amount			
At 1 January 2006	14 133	213	14,346
Recognised on acquisition of trade and assets (note 32)	-	553	553
At 1 January 2007	14,133	766	14 899
Recognised on acquisition of trade and assets (note 32)	-	1,516	1 516
At 31 December 2007	**14,133**	**2,282**	**16,415**

There are no recognised impairment losses at either 1 January 2006 1 January 2007 or 31 December 2007 and accordingly the carrying amount of goodwill is the purchase cost

17 Goodwill (continued)

	2007 £'000	2006 £'000
Goodwill acquired in a business combination is allocated as follows		
Harvey & Thompson Ltd	14,133	14,133
Stores acquired in 2005	213	213
Stores acquired in 2006	553	553
Stores acquired in 2007	1,516	–
	16,415	14 899

The Harvey & Thompson Ltd CGU was created when H&T Group plc acquired Harvey & Thompson Ltd in September 2004 Management is unable to allocate this goodwill by store and accordingly, tests this for impairment at the subsidiary entity level adjusted for the recoverable amount of CGU's acquired after September 2004 All assets acquired after September 2004 are reviewed for impairment at the related store level The stores are grouped for financial reporting purposes by year of acquisition to facilitate presentation and comparability on a year by year basis Additionally store performance is monitored by management based on the year of acquisition as the historic performance of an individual store is linked to its acquisition date This approach is reflected in the way Management has defined the above CGUs

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired

The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs The growth rates are based on historical growth forecasts Changes in direct costs are based on expectations of costs inflation

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following ten years based on an estimated growth rate of 4 5 per cent This rate does not exceed the average long term growth rate for the relevant markets The fifteen year period for the store CGUs is used to reflect the minimum duration over which Management expects to operate the store The same duration is used for the Harvey & Thompson Limited CGU since the business comprises of a portfolio of stores where a single store is the smallest CGU

The rate used to discount all the forecast cash flows is 17 5%

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

18 Other intangible assets

	Software £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2006	1,044	–	1,044
Additions	706	–	706
Acquired on acquisition of trade and assets (note 32)	–	163	163
At 1 January 2007	1 750	163	1,913
Additions	242	–	242
Acquired on acquisition of trade and assets (note 32)	–	541	541
At 31 December 2007	**1,992**	**704**	**2,696**
Amortisation			
At 1 January 2006	905	–	905
Charge for the year	195	9	204
At 1 January 2007	1 100	9	1 109
Charge for the year	23	84	107
At 31 December 2007	**1,123**	**93**	**1,216**
Carrying amount			
At 31 December 2007	**869**	**611**	**1,480**
At 31 December 2006	650	154	804

The £869 000 (2006 £650,000) software carrying value includes £355,000 (2006 £624,000) in respect of the new EPOS software in the course of development (note 4)

The customer relationships intangible assets arise from the acquisition of trade and assets of sole partnerships or limited companies with no audited accounts and reflect the repeat business associated with the pawnbroking and pay day advance industry from existing customers at the acquisition date of the relevant assets

The amortisation period for customer relationship intangible assets is between 6 and 3 years and the amortisation period for software intangible assets is 7 years These amortisation periods reflect the directors best estimate of the estimated useful economic lives of these intangible assets

19 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold premises £'000	Motor vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation						
At 1 January 2006	87	6 359	215	1,797	2 596	11,054
Additions	–	1,194	–	325	124	1,643
Reclassified as held for sale	(60)	–	–	–	–	(60)
Disposals	(27)	–	(126)	–	–	(153)
At 1 January 2007	–	7,553	89	2,122	2,720	12 484
Additions	–	1,326	–	407	196	1 929
Acquisition of trade and assets (note 32)	–	44	–	–	6	50
Disposals	–	–	(89)	–	–	(89)
At 31 December 2007	–	**8,923**	–	**2,529**	**2,922**	**14,374**
Accumulated depreciation and impairment						
At 1 January 2006	29	3 210	111	1 378	1,322	6,050
Charge for the year	2	756	34	138	224	1 154
On assets reclassified as held for sale	(23)	–	–	–	–	(23)
Eliminated on disposals	(8)	–	(85)	–	–	(93)
At 1 January 2007	–	3 966	60	1,516	1 546	7 088
Charge for the year	–	829	7	206	218	1 260
Disposals	–	–	(67)	–	–	(67)
At 31 December 2007	–	**4,795**	–	**1,722**	**1,764**	**8,281**
Carrying amount						
At 31 December 2007	–	**4,128**	–	**807**	**1,158**	**6,093**
At 31 December 2006	–	3 587	29	606	1 174	5 396

Capital commitments for tangible and intangible assets are disclosed in note 34

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

20 Subsidiaries

A list of the significant investments in subsidiaries including the name country of incorporation and proportion of ownership interest is given in note C to the Company's separate financial statements

21 Inventories

	2007 £'000	2006 £'000
Retail stock	**6,720**	4,237

The retail stock consists of over 99% of gold and jewellery items The remaining balance is miscellaneous items (mostly electrical goods and art pieces) which were previously held as pledge collaterals and subsequently forfeited

22 Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	**30,522**	26,786
Other debtors	**58**	122
Pledge accrued income	**4,475**	3,813
Prepayments and other accrued income	**1,050**	1,143
	36,105	31,869

Trade and other receivables are disclosed net of allowances for bad and doubtful debts

Cash and cash equivalents

	2007 £'000	2006 £'000
Cash and cash equivalents	**1,966**	2,108

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less

Further details on financial instruments including the associated risks to the Group and allowances for bad and doubtful debts and fair values is provided in note 29

23 Assets held for sale

During 2006 the Group decided to dispose of a freehold property in London and a buyer was found in October 2006 The lawyers were instructed at that time and the sale completed in February 2007 resulting in a profit on disposal of £201,000 as disclosed in note 11 The property was vacated before 31 December 2006

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations' the Group reclassified the property as assets held for sale The £37 000 value is stated at the lower of the previous fixed asset carrying amount and fair value less costs to sell The property was also subject to an impairment review prior to its reclassification as an available for sale asset and at 31 December 2006 with no adjustment arising

24 Trade and other payables

	2007 £'000	2006 £ 000
Trade creditors	**839**	1 233
Other taxation and social security costs	**243**	181
Accruals and deferred income	**2,240**	2,096
	3,322	3,510

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 29 days (2006 – 27 days) For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice Thereafter, interest is charged on the outstanding balances at various interest rates The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe

	2007 £'000	2006 £'000
Corporation tax	**1,193**	88

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

25 Borrowings

	2007 £'000	2006 £'000
Secured borrowing at amortised cost		
Bank loans	34,151	36,851
Unamortised issue costs	(734)	(979)
	33,417	35,872
Total borrowings		
Short term portion of bank loan	2,000	1,500
Unamortised issue costs	(234)	(245)
Amount due for settlement within one year	1,766	1,255
Long term portion of bank loan	32,151	35,351
Unamortised issue costs	(500)	(734)
Amount due for settlement after more than one year	31,651	34,617

All borrowings are denominated in UK sterling pounds

The bank borrowings of the Group are available under agreements which provide various loan facilities as follows

Facility A The Facility A Loan, repayable in instalments up to 11 May 2011 (2006 – 11 May 2011), has an interest rate of LIBOR plus a margin of not more than 1 65% (2006 – 1 65%) A margin rachet, offering reduced interest rates, may come into force from 31 December 2008 depending on the Group meeting ratios as stipulated in the Credit Agreement The lowest facility A margin achievable is LIBOR plus 1 50% (2006 – 1 50%) As at 31 December 2007 the balance on the Facility A Loan including short term was £13,000 000 (2006 £14 500 000)

Facility B The Facility B Loan has an interest of LIBOR plus a margin of 1 40% (2006 – 1 40%) A margin rachet, offering reduced interest rates, may come into force from 31 December 2008 depending on the Group meeting ratios as stipulated in the Credit Agreement The lowest facility B margin achievable is LIBOR plus 1 25% This loan is secured on the pledge book of Harvey & Thompson Limited one of the group s subsidiary undertakings The Facility B loan is repayable by 11 May 2011 (2006 – 11 May 2011) The available facility is increased from 11 May 2009 by £1 000 000 to £27,000,000 provided that the facility does not exceed £27 000 000 and the working capital facility (noted below) is reduced by £1 000 000 As at 31 December 2007 the balance on the Facility B Loan was £20,500,000 (2006 £21 700 000)

Facility C The Facility C Loan has an interest of LIBOR plus a margin of 1 65% (2006 – 1 65%) A margin rachet, offering reduced interest rates, may come into force from 31 December 2008 depending on the Group meeting ratios as stipulated in the Credit Agreement The lowest facility C margin achievable is LIBOR plus 1 50% The Facility C Loan is repayable by 11 May 2011 (2006 – 11 May 2011) As at 31 December 2007 the balance on the Facility C Loan was £651 000 (2006 - £651 000)

25 Borrowings (continued)

Working capital facility The working capital facility has not been utilised by the Group The working capital facility has an interest of LIBOR plus a margin of 1 65% (2006 – 1 65%) A margin rachet, offering reduced interest rates, may come into force from 31 December 2008 depending on the Group meeting ratios as stipulated in the Credit Agreement The lowest facility B margin achievable is LIBOR plus 1 50% The working capital facility loan is repayable by 11 May 2011 (2006 – 11 May 2011) The facility is automatically reduced by £1m from 11 May 2009

Interest due on the loans is payable at each interest period end Interest amounts outstanding at the year end are included in accruals

All loans, with the exception of the Facility B Loan which is additionally secured on the pledge book of Harvey & Thompson Limited are secured with a floating charge over the remaining assets of the companies in the H&T Group plc group

Deferred debt issue costs
The movement in the deferred debt issue costs of £244,000 represents the amortisation of the debt issue costs brought forward as at 31 December 2006

Undrawn borrowing facilities
At 31 December 2007, the Group had available £8 100,000 (2006 £4,500,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met

Banking arrangements restructuring in 2006
The Group restructured its banking arrangements at the time of the H&T Group plc initial public offering ('IPO') in May 2006, resulting in combined facilities of up to £47 000,000 being an increase on the previous banking facilities which totalled £37 200,000 The Group did not consider the change as new debt but as a restructuring of its existing facilities and accordingly the arrangement and associated fees incurred of £801 000 were expensed in the year ended 31 December 2006 Additionally, immediately prior to the IPO the Group had borrowings from the then controlling party, The Rutland Fund, in the form of a loan note The Rutland Fund loan note accrued interest at the rate of 15% per annum which under certain circumstances rolled up into the principal loan amount Both the loan note principal of £14,500,000 and the interest were unsecured and repayable by 8 September 2011 The proceeds to the Group from the IPO were used to repay in full the £18,300,000 balance of The Rutland Fund loans note representing the initial loan plus interest accrued to the date of payment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

26 Derivative financial instruments

	Current 2007 £'000	2006 £'000
Financial assets carried at fair value through profit and loss (FVTPL)		
Interest rate swap (liability)/asset	(18)	133

Further details of derivative financial instruments are provided in the note 29

27 Deferred tax

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior year

	Fixed assets differences £'000	Hold over capital gain £'000	Short term timing differences £'000	Share based payment £'000	Derivative financial instruments £'000	Total £'000
At 1 January 2006	323	–	(127)	–	(128)	68
(Credit)/charge to income	(13)	–	(69)	–	168	86
Prior year adjustment	(5)	250	8	–	–	253
At 1 January 2007	305	250	(188)	–	40	407
Prior year adjustment	59	8	–	–	–	67
(Credit)/charge to income	(29)	56	(54)	(10)	(46)	(83)
Effect of change in tax rate– income statement	(22)	(20)	15	–	1	(26)
As 31 December 2007	**313**	**294**	**(227)**	**(10)**	**(5)**	**365**

Deferred tax assets and liabilities all relate to the same tax jurisdiction and taxable entities and are expected to reverse over the same time periods Accordingly these have been offset The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes

	2007 £'000	2006 £'000
Deferred tax liabilities	**607**	595
Deferred tax assets	**(242)**	(188)
	365	407

28 Provisions

	Dilapidation provision £'000
At 1 January 2006 and 1 January 2007	-
Provision created in the year through income statement	119
At 31 December 2007	**119**

The dilapidation provision represents management's best estimate of the Group's liability to maintain certain of the properties contracted under lease agreements At the reporting date no demand to enforce the dilapidation contractual obligations has been made by the related property landlords

29 Financial instruments

Significant accounting policies and classification of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset financial liability and equity instrument are disclosed in note 3 to the financial statements Further details on critical accounting judgments and estimation uncertainty are in details in note 4

Categories of financial instruments

Based on the application of the accounting policies with respect to financial instruments the amounts included in the relevant balance sheet line items represent the following categories of financial instruments as defined in IAS 39

At 31 December 2007

	Fair value through profit and loss (*) £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets				
Trade receivables	–	30 522	–	30 522
Pledge accrued income	–	4 475	-	4,475
Other assets	–	58	-	58
Cash and cash equivalents	–	1 906	–	1,906
Total financial assets	–	**37,021**	–	**37,021**
Financial liabilities				
Trade payables	–	–	2 183	2 183
Borrowings due within one year	–	-	2,000	2 000
Borrowings due after one year	–	-	32,152	32 152
Derivative financial instrument	18	-	–	18
Total financial liabilities	**18**	**-**	**36,335**	**36,353**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

29 Financial instruments (continued)

At 31 December 2006

	Fair value through profit and loss (*) £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets				
Trade receivables	–	26 786	–	26 786
Pledge accrued income	–	3,818	–	3,818
Other assets	–	122	–	122
Cash and cash equivalents	–	2,108	–	2 108
Derivative financial instrument	133	–	–	133
Total financial assets	133	32,834	–	32,967
Financial liabilities				
Trade payables	–	–	2,570	2,570
Borrowings due within one year	–	–	1 500	1,500
Borrowings due after one year	–	–	35,351	35,351
Total financial liabilities	–	–	39 421	39 421

(*)Fair value through profit and loss represents a derivative interest rate swap classified as held for trading under IAS 39 The Group has not designated any other assets or liabilities as fair value through profit or loss

Classes of financial assets and liabilities

The Group further analyses the categories of financial assets and liabilities as defined in IAS 39 into classes of financial assets and liabilities as defined in IFRS 7 The book values of these classes and fair values are as follows

	Book values 2007 £'000	Book values 2006 £'000	**Fair value 2007 £'000**	Fair value 2006 £'000
Pawnbroking	**32,283**	28 930	**35,218**	31 153
Cheque cashing	**2,089**	1 272	**2,089**	1 272
Other financial services	**531**	402	**531**	402
Unallocated	**2,060**	2 363	**2,060**	2,363
Total financial assets	**37,021**	32 967	**39,898**	35,068

	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Borrowings	**34,169**	36 851	**34,169**	36 851
Short term operating liabilities	**2,183**	2,570	**2,183**	2 570
Total financial liabilities	**36,352**	39 421	**36,352**	39,421

29 Financial instruments (continued)

Fair value

The assumptions used by the Group to estimate the current fair values are summarised below

(i) For the Pawnbroking class, the fair value has been calculated by adding
- The principal outstanding on pawn loans
- The interest receivable accrued using the effective interest rate method, and
- The proportion of the profit on scrap for the loans on which the Group does not recognise interest due to the uncertainty of recovery of the interest, apportioned over the pledge contract

(ii) For Cheque cashing, Other financial services and Unallocated classes, the book value approximates to fair value because of their short maturities, fixed or floating interest rates which reflect market rates, and the provisions recorded for losses at the balance sheet dates where relevant

(iii) For the derivative financial instruments the fair value has been calculated by discounting the future estimated cash flows based on the applicable yield curve derived from quoted interest rates

(iv) For Borrowings and Short term operating liabilities classes due within one year the book value approximates to fair value because of their short maturities and interest rates where applicable None of the Short term operating liabilities are interest bearing The borrowings are all held at floating interest rates which approximate market rates and accordingly, the book value and fair value are the same

(v) For the Borrowings due after one year, the fair value has been calculated by discounting the future cash flows estimated and discounted based on the applicable yield curve derived from quoted interest rates The borrowings are all held at floating interest rates which approximate market rates, and accordingly, the book value and fair value are the same

Financial risk management objectives

The Group monitors and manages the financial risks relating to the financial instruments held The principal risks include credit risk (on financial assets), liquidity risk (on financial liability Borrowings and Other financial liabilities) and interest rate risk (on financial liability Borrowings) The risks are analysed by each class of financial assets and liabilities in the section below

Generally the Group is not exposed to price risk, as the majority of its jewellery and all of its scrap gold are obtained through unredeemed pledges which have a cost to the Group which is lower than resale value The Group is exposed to adverse movements in the price of gold in its gold scrap activities The Group considers this risk to be limited due to the current high margin on scrap gold Should the price of gold drop significantly, the Group can mitigate this risk by reducing its lending policy on pawnbroking pledges or by entering gold hedging instruments

Additionally the Group is not exposed to significant interest rate risk on the financial assets, other than cash and cash equivalents, as these are lent at fixed rates which reflect current market rates for similar types of secured or unsecured lending

Cash and cash equivalents are exposed to interest rate risk as they are held at floating rates, although the risk is not significant as the interest receivable is not significant

Pawnbroking financial asset class

The pawnbroking financial asset class is exposed to three principal risks

- credit risk
- the risk of a change in pawnbroking loan redemption, and
- the risk of changes in the price of gold

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

29 Financial instruments (continued)

Pawnbroking financial asset class (continued)

Credit risk

The Group is exposed to credit risk primarily through

(i) default on the loan amounts (forfeits)

Additionally the Group is exposed to risk in recovery of the loan amounts, which is considered to be similar to credit risk, due to

(ii) assets being pledged as security against loans which are subsequently seized by the police,

(iii) assets being pledged as security against loans being stolen or lost resulting in the borrower being relieved of the liability to the Group

The Group mitigates these risks by applying strict lending criteria which are continually reviewed and monitored at both shop and at board level

A principal aspect of the pawn contract is the requirement for the borrower to provide collateral (the pledge) which remains in the possession of the Group, in secure safes while the pawn loan is outstanding The Group has the right to dispose of the pledged items in the event of default by the borrower The pledge book is accordingly secured over the goods pledged The value of the pledge items (which is in excess of the pawn loan in all instances where the Group lending policy is applied), the legal title that the Group can enforce on these items, and their ongoing security are vital to the Group to ensure that the credit risk is mitigated to an acceptable level

Due to the significance of the pledged item as security for the Group with respect to the recovery of the amounts lent, the Group applies strict criteria at the point of lending to assessing both the customer requiring the pawn loan and the value of the pledge item The Group has set criteria for lending based on the assessed value of the item pledged, which takes into account the various aspects of the pledge Over 98% of the pledged items are gold and jewellery Some of the key attributes of the pledge are therefore the metal it is made of the presence of precious or semi precious stones and the appearance and condition of the item This high percentage lending on marketable items, which are available under certain circumstances to the Group for onwards disposition through either the Group's retail or scrap operations (see below) provides significant security to the pawnbroking financial assets

The Group maintains the customer's title to the goods pledged through strict criteria In order to pledge an item the customer needs to be registered for which a proof of address is required All the transactions are also captured through CCTV The Group also encourages good relationships with local police forces

The pawn contract is regulated by the Consumer Credit Act 2007, which specifies the rights and obligations of both the Group and the borrower with respect to the collateral provided and default on the loan The Group continually reviews the pawn contract to ensure that it complies with the relevant legislation and provides sufficient protection to the Group

The Group also retains all pledged items in locked safes at each store and maintains sophisticated security systems The staff handling the pledged items are also carefully screened and trained by the Group prior to commencing employment and then on an ongoing basis

Finally the Group maintains an internal audit department staffed by auditors with significant experience in the pawnbroking industry to monitor compliance with the Group policies and in particular to monitor the existence and security of the pledge items the value of the pledge items compared to the pledge loan the legal compliance of the pledge contracts and the compliance of the stores with the Group lending policies The internal audit department reports directly to the finance director and the Chairman of the audit committee

In the event of default by the borrower, the Group is required by the Consumer Credit Act to dispose of the items differently depending on whether the loan value is less than or greater than £75

(i) If the value of the loan is £75 or under the goods become the property of the Group immediately The goods are then either auctioned retailed through the Group outlets or scrapped with profits reported in either the Retail or Scrap segments as applicable

(ii) If the value of the loan is over £75, the goods are sent to public auction The goods are then either sold at auction or bought back by the Group

29 Financial instruments (continued)

Pawnbroking financial asset class (continued)

Credit risk
In the absence of either over lending on the pledge item loss of the pledge item or police seizure of the item the Group realises at least the value of the pledge loan immediately, with additional profits recorded upon sale or scrapping of the item The value that the Group can realise is measured by the excess of the fair value of the collaterals which is estimated at £33 970 000 (2006 £30 032,000) over the book value of the pledge book and associated accrued interest which amounts to £32,288 000 (2006 £28 930 000)

The pawnbroking assets are disclosed net of the provision for bad and doubtful debts associated to these financial assets As a result of the strong controls surrounding the pledge collateral the Group has limited exposure to losses arising from the loan default police seizure, or loss of pledged items This is reflected in the movement in the bad and doubtful debts provision for pawnbroking assets, an analysis of which is as follows

	£'000
Balance at 1 January 2006	21
Net income statement	78
Written off	(21)
Balance at 31 December 2006	78
Net income statement charge	**89**
Written off	**(78)**
Balance at 31 December 2007	**89**

The Group has fully provided for all amounts lent on pledges which are either held by the police or have been notified to the Group by the police as frozen assets

The ageing of past due but not impaired receivables is as follows

	2007 **£'000**	2006 £'000
0 - 90 days	**4,496**	4 098
Over 90 days	**1,519**	1 062
Total	**6,015**	5 160

The Group has not provided for the £6,015,000 (2006 £5,160 000) contractually overdue receivables (i e loans where the pawn agreement has terminated but the customer has not redeemed the assets) at the reporting date since the realisable value of the collaterals held is greater than the carrying value of the pledge loan as disclosed above The Group does not start the disposition process of the unredeemed pledges for around 3 months after the end of the credit agreement since it is commercial practice to allow additional time for the customers to come and redeem their pledged items, for an additional fee

The maximum exposure to credit risk would be £32 341 000 (2006 £28,930,000) being the gross carrying amount net of any amounts offset and any impairment losses

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

29 Financial instruments (continued)

Pawnbroking financial asset class (continued)

Risk of a change in pawnbroking loan redemption
As disclosed under the significant accounting policies (note 3) the interest receivable on loans is recognised as interest accrues by reference to the principal outstanding and the effective interest rate applicable As explained under critical accounting judgements and sources of estimation uncertainty (note 4), the estimated future cash receipts are based on the historical cash receipts experience (the 'Pledge Redemption') of the business which vary from month to month Accordingly the Group is subject to risks associated with the variability in the redemption rate on the amount of interest which is accrued on the pledge book and with the amount of accrued interest included in the pawnbroking financial assets

The sensitivity analysis below have been determined based on the exposure to changes in the pledge redemption rate assuming the pledge book outstanding at the balance sheet date was outstanding for the whole year A 1% increase or decrease is used when reporting pledge redemption rate sensitivity risk internally to key management personnel and represents management's assessment of the monetary impact of the change in pledge redemption rates

	1% decrease in redemption rate £'000	1% increase in redemption rate £'000
At 31 December 2007		
Total impact on income statement gain/(loss)	(58)	58
Impact on equity gain/(loss)	(41)	41
At 31 December 2006		
Total impact on income statement gain/(loss)	(32)	32
Impact on equity gain/(loss)	(23)	23

The above impact on income statement would be partly offset by an increase or decrease in profits made on disposition of the forfeited items, although this may be in a different financial reporting period

Risk of changes in the price of gold
The collateral which protects the Group from credit risk on non-redemption of pawn loans is 98% comprised of gold and jewellery items The value of these items as security is directly linked to the price of gold The Group is therefore exposed to adverse movements in the price of gold on the value of the security that would be attributable for sale in the event of default by the borrower The Group considers this risk to be limited for a number of reasons First of all the Group applies conservative lending policies in pawnbroking pledges reflected in the margin made on scrap gold when contracts forfeit The value of gold for our customers is also much greater than the price of gold since jewellery items contain a retail margin The Group is also protected due to the short term value of pawn contract (6 months) In the event of a significant drop in the price of gold, the Group could mitigate this risk by reducing its lending policy on pawnbroking pledges or by entering gold hedging instruments Management monitors the gold price on a constant basis Based on the price of gold on 5 March 2008, the Group estimates that a 50% fall in the price of gold would be required for the pledge collateral to no longer support the value of the pawn loans and associated accrued interest The directors are of the opinion that a decrease of this magnitude is highly unlikely

29 Financial instruments (continued)

Cheque cashing financial asset class

This class represents amounts recoverable by the Group through cheques that are already in the possession of the Group The Cheque cashing financial asset class is exposed primarily to the credit risk through default on the loan amounts for Pay Day Advance or default from the drawer for Third Party Cheque Encashment This credit risk is mitigated at the outset of the lending agreement by the strict application of the Group lending policies, including credit checks, the legal security provided by the assignment of cheques to the Group and the staff recruitment and training policies referred to above The Group monitors the ongoing risk associated with this class of financial assets through a continual review of bad debts, modifications to the lending policy and the internal audit activities referred to above ensure that the Group policy is consistently applied In the event of default by the customer the Group has also developed a debt collection department to recover any cheque cashing debt

Cheque cashing receivables are disclosed net of provisions for bad and doubtful debts an analysis of which is as follows

	£'000
Balance at 1 January 2006 (*)	8
Net income statement charge	1 134
Written off	(901)
Balance at 31 December 2006	241
Net income statement charge	**1,758**
Written off	**(1,637)**
Balance at 31 December 2007	**362**

(*) At 1 January 2006 the Group had limited exposure to bad debts and losses on these activities as the risk was passed on to a third party provider for a fee Since 1 January 2006, the Group has brought the full Third Party Cheque Encashment and Pay Day Advance product offerings in house

The Group had no overdue receivables at the reporting date (2006 £nil) Trade receivables not overdue are provided for based on estimated irrecoverable amounts determined by reference to past default experience

The class of financial assets is stated net of estimated irrecoverable amounts Accordingly, the carrying value is dependant on the Group assessment of the expected level of bad debts in the financial assets at the balance sheet date The sensitivity analysis below has been determined based on the exposure to changes in the percentage of bad debt as a function of amounts lent assuming the Pay Day Advance book outstanding at the balance sheet date was outstanding for the whole year A 2% increase or decrease in bad debt is used when reporting credit risk internally to key management personnel and represents management s assessment of the monetary impact of the change in the percentage of bad debts

	2% decrease in bad debts £'000	**2% increase in bad debts £'000**
At 31 December 2007		
Total pre tax impact on income statement gain/(loss)	**49**	**(49)**
Pre tax impact on equity gain/(loss)	**35**	**(35)**
At 31 December 2006		
Total pre tax impact on income statement gain/(loss)	30	(30)
Pre tax impact on equity gain/(loss)	22	(22)

The maximum exposure to credit risk would be £2 089,000 (2006 £1,272,000) being the gross carrying amount net of any amounts offset and any impairment losses

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

29 Financial instruments (continued)

Other Financial services financial asset class

This class represents primarily unsecured loans receivable. This class is exposed primarily to the credit risk through default on the loan amounts for the KwikLoan product. This credit risk is mitigated at the outset of the lending agreement by the strict application of the Group lending policies, including credit checks and the staff recruitment and training policies referred to above. The Group monitors the ongoing risk associated with this class of financial assets through a continual review of bad debts, modifications to the lending policy and the internal audit activities referred to above to ensure that the Group policy is consistently applied. The Group also uses its Cheque cashing debt collection department to recover any KwikLoan debt.

Other Financial services receivables are disclosed net of provisions for bad and doubtful debts, an analysis of which is as follows:

	£'000
Balance at 1 January 2006	77
Net income statement charge	205
Written off	
Balance at 31 December 2006	282
Net income statement charge	**261**
Written off	**(282)**
Balance at 31 December 2007	**261**

The Group has provided fully for all receivables overdue. Trade receivables not overdue are also provided for on an individual basis determined by reference to past default experience.

The maximum exposure to credit risk would be £531,000 (2006: £402,000) being the gross carrying amount net of any amounts offset and any impairment losses.

Unallocated financial asset class

The Unallocated financial asset class comprises mainly cash and cash equivalents. Of the £2,060,000 balance at 31 December 2007 (31 December 2006: £2,241,000) cash and cash equivalents amounted to £1,966,000 (2006: £2,108,000). The remainder of the balance is considered immaterial.

The cash and cash equivalents balance comprises both bank balances and cash floats at the stores. The bank balances are subject to very limited credit risk as they are held with banking institutions with high credit ratings assigned by international credit rating agencies. The cash floats are subject to risks similar to any retailer, namely of theft or loss by employees or third parties. These risks are mitigated by the security systems, policies and procedures that the Group operates at each store, the Group recruitment and training policies and the internal audit function.

29 Financial instruments (continued)

Borrowings financial liability class

The Borrowings financial liability class is exposed to three principal risks
- interest rate risk
- credit risk, and
- liquidity risk

Interest rate risk
The Group is funded based on a combination of equity and bank borrowings The bank borrowings are all held at floating rates based on LIBOR Accordingly the Group is exposed to interest rate risk through changes in the LIBOR rate

The Group mitigates exposure to this interest rate risk through the use of financial derivatives instruments in a floating to fixed interest rate swap arranged through Barclays Bank Plc This instrument fixes the LIBOR element of the interest cost of a portion of the bank loans to 5 315% (2006 - 5 315%) The agreement terminates on 30 June 2009 The instrument covers £35,000,000 (2006 £35 000 000) of the loan balances The fair value of the instrument at 31 December 2007 is £18 199 payable (2006 - £133 000 receivable) The Group anticipates that it will be able to obtain a similar instrument at applicable market rates when this agreement terminates

As required by IAS 39 the Group measures the interest rate swap at fair value at each balance sheet date The Group does not apply hedge accounting Accordingly while the Group mitigates cash flow interest rate risk through the instrument, it is exposed to fair value risk on the revaluation of the instrument The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivatives instruments at the balance sheet date For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year A 0 5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates

	0 5% decrease in interest rates £'000	0 5% increase in interest rates £'000
At 31 December 2007		
Finance costs (loss)/gain	**(4)**	**4**
Movement in fair value of interest rate swap (loss)/gain	**(204)**	**306**
Total pre tax impact on income statement (loss)/gain	**(208)**	**310**
Pre tax impact on equity (loss)/gain	**(150)**	**223**
At 31 December 2006		
Finance costs gain/(loss)	9	(9)
Movement in fair value of interest rate swap (loss)/gain	(328)	500
Total pre tax impact on income statement (loss)/gain	(319)	491
Pre tax impact on equity (loss)/gain	(224)	344

The impact of a change in interest rate has no material impact on finance costs due to the interest rate swap which covers the majority of the loan balances The principal movements reflect the movement in fair value of the interest rate swap Management intends to retain the interest rate swap to maturity Accordingly the positive or adverse movements on the fair value of the hedging instrument will offset over the life of the instrument trough this may be in different financial reporting periods

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

29 Financial instruments (continued)

Borrowings financial liability class (continued)

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because of the high credit-ratings assigned by international credit-rating agencies to the Group's bankers.

The Group's maximum exposure to credit risk is £13,000 for the derivatives (2006 – asset £133,000), being the fair value of the derivative at the year end.

Liquidity risk

The Group has significant borrowings exposing it to liquidity risk in both repayment of borrowings and availability of finance. In order to mitigate this risk the Group uses a mixture of short-term and long-term debt finance with banking institutions with high credit-ratings assigned by international credit-rating agencies. The current borrowings are disclosed in detail in note 25, which shows that the Group has arrangements in place to ensure sufficient funding is in place until 2011 under the current agreements. At 31 December 2007 the Group also has available £8,100,000 (2006: £4,500,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. This level of headroom is considered sufficient to finance operations. Furthermore the business generated a positive cash flow from operating activities in 2007 (the 2006 year is non-comparable due to the different funding structure as explained in note 25), and has discretion in its expansion programme should the Group need to improve short term cash flow.

The Group is in full compliance with all loan covenants.

The maturity analysis of the cash flows arising from total borrowings and associated derivative financial instruments is as follows:

Payments due by period	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Over 4 years £'000	Total £'000
At 31 December 2006						
Floating rate borrowings	4,030	4,415	4,244	4,550	29,738	47,027
Interest rate derivative financial (assets)	(55)	(59)	(21)	–	–	(135)
Total	3,975	4,356	4,223	4,550	29,788	46,892
At 31 December 2007						
Floating rate borrowings	**4,309**	**3,973**	**4,383**	**29,730**	**-**	**42,395**
Interest rate derivative financial (assets)/liabilities	**(34)**	**96**	**-**	**-**	**-**	**62**
Total	**4,275**	**4,069**	**4,383**	**29,730**	**-**	**42,457**

The amounts reported above for floating rate borrowings include the principal amount of borrowings as well as the interest payable on these borrowings. The floating rates used to predict the interest cash flows are based on the relevant LIBOR yield curve derived from quoted interest rates. The above amounts are contractual undiscounted cash flows. Due to the interest rate swap in place, increases or decreases in projected interest payable arising from changes in interest rates are virtually fully offset by compensating movements in the cash flows arising from the interest rate swap.

29 Financial instrument (continued)

Short term operating liabilities financial liability class

The short term operating liabilities - financial liability class is not exposed to any significant risk Liquidity risk is considered to be minimal due to the availability of borrowings as discussed above and the positive cash flow from operations

The maturity analysis of the short term operating liabilities financial liability class is as follows

Payments due by period	Less than 30 days £'000	Over 30 days £'000	Total £'000
At 31 December 2006	1,184	1 386	2 570
At 31 December 2007	**823**	**1,360**	**2,183**

30 Share capital

	2007 £'000	2006 £ 000
Authorised		
41,970,000 (2006 41,970 000) ordinary shares of £0 05 each	**2,099**	2 099
Issued and fully paid		
35 085,706 (2006 – 31 485,706) ordinary shares of £0 05 each	**1,754**	1 574

The Company has one class of ordinary shares which carry no right to fixed income

3,600 000 new ordinary shares were issued, called up and fully paid at the placing price of £2 04 per share on 16 May 2007 Of the proceeds received of £7,344 000 £180,000 has been recorded in share capital and £7,164,000 in the share premium account £282 000 was incurred in expenses directly related to the issue of these shares, which has been expensed to the share premium account

Options over shares of the Company are disclosed in note 31 Under these share option arrangements there are 789,837 (2006 – 450,824) shares which can be issued by the directors

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25 cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital reserves and retained earnings

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

30 Share capital (continued)

Gearing ratio
The Group reviewed its gearing ratio determined as the proportion of net debt to equity at the time of its flotation in May 2006 and considered it as appropriate Although the Group reviews its gearing ratio at each reporting date no specific target has been fixed by management

The gearing ratio at the year end is as follows

	2007 £'000	2006 £'000
Debt	**34,151**	33,417
Cash and cash equivalents	**(1,966)**	(2 108)
Net debt	**32,185**	31 309
Equity	**30,345**	19 606
Net debt to equity ratio	**106%**	160%

Debt is defined as long and short-term borrowings, as detailed in note 25

Equity includes all capital and reserves of the Group attributable to equity holders of the Company

Externally imposed capital requirement
The Group is not subject to any externally imposed capital requirements

31 Share based payments

As at 31 December 2007, the Group operated two share award schemes The charge for the year in respect of both schemes was

	2007 £'000	2006 £'000
A Approved Share Option Scheme	**45**	8
B Unapproved Share Option Scheme	**60**	11
	105	19

A Approved Share Option Scheme ('ASOS')
The Approved Share Option Scheme is a share option scheme approved by HMRC where favourable tax treatment is received on exercise The options may be granted to all management from Shop Manager to Executive Director level The Remuneration Committee sets the performance conditions

The performance conditions applied were
- In 2007 that an option may not be exercisable unless the growth in adjusted basic Earnings Per Share (EPS) of the Company reaches 3% above the General Index of Retail Prices
- In 2006 that an option may not be exercisable unless the Group reached the yearly EBITDA budget target set for the financial year

Exercise of an option is subject to continued employment over a three year period from the date of grant Early exercise of the options is permitted if an option holder ceases to be employed by reason of death injury, disability, retirement or sale of his employing company

31 Share based payments (continued)

The options outstanding at the year end were as follows

	Grant date	Exercise price pence	Number of shares	Earliest date of exercise	Expiry date
ASOS 2006	September 2006	182 5	178 995	8/09/2009	7/09/2016
ASOS 2007	**May 2007**	**217 5**	**152,792**	**17/05/2010**	**16/05/2017**

Options were valued using a Binomial option pricing model The inputs into the model used by the Group to estimate the fair value of the options awarded are as follows

	2007	2006
Fair value at measurement date	**68 10 pence**	58 33 pence
Weighted average share price	**217 5 pence**	182 5 pence
Weighted average exercise price	**217 5 pence**	182 5 pence
Expected volatility	**31 0%**	30 6%
Expected life	**6 5 years**	6 5 years
Risk free rate	**4 82%**	4 34%
Expected dividends	**2 5%**	2 2%

In 2006, the expected volatility was determined by calculating the historical volatility of the share price of a similar sized competitor in the industry over the previous four years The directors considered that the competitor company which has been on the Alternative Investment Market (AIM) for a number of years was the best measure of volatility based on its similar size and business activities In 2007 the expected volatility was determined by calculating the historical volatility of the share price of the Group, since there is now sufficient data post the IPO to complete this calculation The expected life used in the model for both years has been adjusted, based on management's best estimate for the effects of non transferability, exercise restrictions and behavioural considerations

The average remaining contractual life is 9 1 years

A reconciliation of option movements for the ASOS is set out below

	Number of share options	**2007 Weighted average exercise price (in pence)**	Number of share options	2006 Weighted average exercise price in pence
Outstanding at beginning of period	**178,995**	**182 5**	–	–
Granted during the period	**152,792**	**217 5**	178 995	182 5
Forfeited during the period	**(53,283)**	**192 1**	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	**278,504**	**199 86**	178 995	182 5
Exercisable at the end of the period	**1,299**	**182 5**	–	–

Awards under the scheme totals a maximum of 278,504 shares (2006 – 178,995 shares) and represents a dilution of shares in issue of 0 79% (2006 – 0 57%)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

31 Share based payments (continued)

B Unapproved Share Option Scheme ('USOS')

The Unapproved Share Option Scheme is a discretionary option scheme under which the Remuneration Committee may grant options to all Executive Directors and Senior Management of the Group The Remuneration Committee sets the performance conditions

The performance conditions were

- In 2007 that an option may not be exercisable unless the growth over 3 years in adjusted basic Earnings Per Share (EPS) of the Company reaches on average at least 8% It applies to 25% of the options granted
- In 2007 that an option may not be exercisable unless the growth over 3 years in adjusted basic Earnings Per Share (EPS) of the Company reaches on average at least 10% It applies to 25% of the options granted
- In 2007 that an option may not be exercisable unless the Total Shareholder Return (TSR) over 3 years exceeds the FTSE AIM 100 performance It applies to 50% of the options granted
- In 2006 that an option may not be exercisable unless the Group reached the yearly EBITDA budget target set for the financial year

Exercise of an option is subject to continued employment over a three year period from the date of the grant Early exercise of the options is permitted if an option holder ceases to be employed by reason of death, injury, disability, retirement or sale of his employing company The options outstanding at the year end were as follows

	Grant date	Exercise price pence	Number of shares	Earliest date of exercise	Expiry date
USOS 2006	September 2006	182 5	271 829	8/09/2009	7/09/2016
USOS 2007	**May 2007**	**217 5**	**239,504**	**17/05/2010**	**16/05/2017**

Options were valued using a Binomial option pricing model for USOS 2006 and USOS 2007 where non-market vesting conditions applied and a Monte Carlo simulation model for USOS 2007 where market vesting conditions applied The inputs into both models used by the Group to estimate the fair value of the options awarded are as follows

	2007	2006
Fair value at measurement date		
Non TSR criteria	**68 10 pence**	58 33 pence
TSR criteria	**53 80 pence**	-
Weighted average share price	**217 5 pence**	182 5 pence
Weighted average exercise price	**217 5 pence**	182 5 pence
Expected volatility	**31 0%**	30 6%
Expected life	**6 5 years**	6 5 years
Risk free rate	**4 82%**	4 34%
Expected dividends	**2 5%**	2 2%

In 2006, the expected volatility was determined by calculating the historical volatility of the share price of a similar sized competitor in the industry over the previous four years The directors considered that the competitor company which has been on the Alternative Investment Market (AIM) for a number of years was the best measure of volatility based on its similar size and business activities In 2007 the expected volatility was determined by calculating the historical volatility of the share price of the Group since there is now sufficient data post the IPO to complete this calculation The expected life used in the model for both years has been adjusted, based on management's best estimate for the effects of non transferability, exercise restrictions and behavioural considerations

The average remaining contractual life is 9 1 years

31 Share based payments (continued)

A reconciliation of option movements for the USOS is set out below

	Number of share options	2007 Weighted average exercise price (in pence)	Number of share options	2006 Weighted average exercise price in pence
Outstanding at beginning of period	**271,829**	**182 5**	–	–
Granted during the period	**239,503**	**217 5**	271 829	182 5
Forfeited during the period	–	–	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	**511,332**	**198 9**	271 829	182 5
Exercisable at the end of the period	–	–	–	–

Awards under the scheme totals a maximum of 511,332 shares (2006 - 271 829 shares) and represents a dilution of shares in issue of 1 46% (2006 – 0 80%)

32 Acquisition of trade and assets

The following acquisitions were made during the year

	Acq 1 £'000	Acq 2 £'000	Acq 3 £'000	Acq 4 £'000	Acq 5 £'000	Total 2007 £'000	Total 2006 £'000
Assets acquired							
Property Plant and Equipment	15	–	35	–	–	**50**	–
Intangible assets (note 18)	174	73	65	152	77	**541**	163
Retail stock	281	–	129	–	–	**410**	–
Debtors	289	142	216	258	128	**1,033**	297
Cash	18	–	20	11	2	**51**	7
Total assets acquired	777	215	465	421	207	**2,085**	467
Consideration							
Cash	1 160	236	1,192	542	471	**3,601**	1,020
Total consideration	1 160	236	1,192	542	471	**3,601**	1,020
Goodwill (note 17)	383	21	727	121	264	**1,516**	553

	2007	2006
Net cash outflow on acquisition		
Cash consideration	**3,601**	1 020
Cash and cash equivalents acquired	**(51)**	(7)
	3,550	1 013

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

32 Acquisition of trade and assets (continued)

Acquisition 1 Cleveland Gold Limited
On 3 May 2007 the Company reached agreement to acquire the trade and assets of an independent pawnbroker and cheque cashing agent The directors consider the book values to be the fair value of those assets acquired other than for certain intangible assets which have been identified as part of the acquisition Other than the consideration paid there are no material cash flows relating to the acquisition

Acquisition 2 Harvey Stevens T/A Alan Paul Pawn Brokers
On 11 May 2007, the Company reached agreement to acquire the pledge book of an independent pawnbroker The directors consider the book values to be the fair value of those assets acquired other than for certain intangible assets which have been identified as part of the acquisition There are no material cash flows relating to the acquisition

Acquisition 3 Tynemace Limited, Hillbrand Limited & Jewellery Limited
On 20 August 2007, the Company reached agreement to acquire the trade and assets of a small chain of four stores predominantly cheque cashing businesses The directors consider the book values to be the fair value of those assets acquired other than for certain intangible assets which have been identified as part of the acquisition Other than the consideration paid, there are no material cash flows relating to the acquisition

Acquisition 4 Joseph Arthur Jackson T/A "Jenours"
On 24 September 2007 the Company reached agreement to acquire the trade and assets of an independent pawnbroker and cheque cashing agent The directors consider the book values to be the fair value of those assets acquired other than for certain intangible assets which have been identified as part of the acquisition Other than the consideration paid there are no material cash flows relating to the acquisition

Acquisition 5 Nadeem Osman & VFM Goldcraft Limited
On 3 October 2007, the Company reached agreement to acquire the trade and assets of an independent pawnbroker and cheque cashing agent The directors consider the book values to be the fair value of those assets acquired other than for certain intangible assets which have been identified as part of the acquisition Other than the consideration paid there are no material cash flows relating to the acquisition

The goodwill arising on the acquisition of all the trade and assets presented above is attributable primarily to the anticipated increased profitability of the acquired shares arising from

- the introduction of all the Group's products
- the growth in existing products driven by the Group's expertise know-how financial resources and systems and
- the anticipated central cost savings to operate the businesses within the Group rather than as stand alone businesses

Accordingly staff who were employed by the relevant business have been retained in some instances representing a saving to the Group in recruitment and training costs

The above acquisitions contributed in total £600,000 revenue and £200 000 to the Group's profit before tax for the period between the date of each acquisition and the balance sheet date No individual acquisition was material and accordingly, an analysis by acquisition is not presented

The Group cannot estimate the revenue and profit or loss of the Group had the acquisitions been completed on the first day of the financial year since no reliable historical financial information is available The trade and assets acquired are operated through either sole partnerships or limited companies with no audited accounts

33 Operating lease arrangements

The group as lessee

	2007 £'000	2006 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**2,252**	1,897

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows

	Land and buildings		Other	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Within one year	**2,313**	1,970	**42**	38
In the second to fifth years inclusive	**7,885**	6,647	**36**	61
After five years	**11,331**	10 060	**-**	-
	21,529	18 677	**78**	99

Significant operating lease payments represent rentals payable by the Group for rental of store premises Leases are normally negotiated for an average term of 10 years at the then prevailing market rate

The Group also sublets some of the premises above the stores the outstanding receipts from which are immaterial

34 Capital commitments

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £508,000 (2006 - £672 000)

This commitment relates to the development and licencing costs of the new electronic point of sale system (EPOS) which is scheduled for delivery and implementation in 2008

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

35 Notes to the cash flow statement

	2007 £'000	2006 £'000
Profit for the year	**5,079**	1,002
Adjustments for		
Investment revenues	**(35)**	(27)
Other gains and losses	**(201)**	(46)
Finance costs	**2,706**	4,737
Movement in fair value of interest rate swap	**151**	(561)
Movement in provisions	**119**	–
Income tax expense	**2,284**	1,035
Depreciation of property, plant and equipment	**1,260**	1,154
Amortisation of intangible assets	**107**	204
Share-based payment expense	**105**	19
Profit on disposal of fixed assets	**(8)**	(12)
Operating cash flows before movements in working capital	**11,567**	7,505
Increase in inventories	**(2,073)**	(734)
Increase in receivables	**(3,203)**	(298)
Increase in payables	**39**	1,152
Cash generated from operations	**6,330**	7,625
Income taxes paid	**(1,221)**	(291)
Debt restructuring cost	**–**	(801)
Interest paid	**(2,462)**	(6,787)
Net cash from/(used by) operating activities	**2,647**	(254)

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

Interest paid in 2006 includes £3,191,000 of interest that arose in previous periods and was added to the principal amount of borrowings at 1 January 2006 (note 25)

36 Related party transactions

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note

Transactions with directors are disclosed in the Directors Report and note 9 Other material related party transactions are set out below

Transactions in the year

Related party	Nature of transaction	2007 £'000 Fair value	2006 £'000 Fair value
Rutland Partners LLP	Management fees	–	41
The Rutland Fund	Interest payable on loan notes	–	896
The Rutland Fund	Interest and loan notes repayment	–	13 322
A Lilley	Purchase of 200,000 5p ordinary shares on 8 May 2006 in H&T Group plc at par value, being the exercise price, from the ultimate controlling party, The Rutland Fund, under the 2004 share option scheme The share price on the date of exercise was 172p	–	334*
A Lilley	35,399 options granted under the 2007 share option schemes (2006 40 958 options under the 2006 share options schemes) The options under both schemes have been granted at an exercise price equal to the market value at the date of the option been granted	–	–
P Cartright	Purchase of 26 385 5p ordinary shares in H&T Group plc from The Rutland Fund at market price of 172p per share on 8 May 2006 when H&T Group plc listed on AIM	–	–
B Slatter	Purchase of 11,628 5p ordinary shares in H&T Group plc from The Rutland Fund at market price of 172p per share on 8 May 2006 when H&T Group plc listed on AIM	–	–

Rutland Partners LLP was a related party by virtue of the relationship disclosed in note 25 until 8 May 2006

The Rutland Fund was a related party by virtue of the relationship disclosed in note 25 until 8 May 2006

P Cartright and B Slatter are related parties by virtue of their directorships in 2006 in the Company

A Lilley is considered to be a member of key management personnel

*Represents the gain arising on exercise of the share options No expense has been recorded with respect to these share options under IFRS2 since the charge was immaterial

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

36 Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the directors of Harvey & Thompson Limited the trading subsidiary, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures

	2007 £'000	2006 £'000
Short-term employee benefits	813	946
Pension contributions	21	20
Termination benefits	-	7
Share based payments	40	9
	874	982

37 First time adoption of IFRS

As discussed in note 2, the Group adopted IFRS as required by Rule 19 of the AIM rules The transition date to IFRS is 1 January 2006 Additionally the Group revised its accounting policy with respect to the absorption of overheads into stock and expanded the income statement disclosure with respect to administrative expenses and other direct cost expenses

The Group reported on 1 August 2007 on the transition to IFRS from UK GAAP as previously applied by the Group and the restatement arising from the change in accounting policy for stock There have been no amendments to that information which is reported below as at 1 January 2006 31 December 2006 and for the year ended 31 December 2007 with respect to the balance sheet and income statements other than for the increased disclosure with respect to administrative expenses and other direct expenses and the reclassification to retained earnings of the share option revenue at 31 December 2006 of £19 000 Additionally, the Group reports no significant impact of the transition on the cash flows of the Group for the year ended 31 December 2007

For presentation purposes the Group has condensed the disclosure provided in the transition document issued on 1 August 2007, in the following sections Note 37(a) provides a numerical reconciliation of the balance sheet at 1 January 2006 and 31 December 2006 and the income statement for the year ended 31 December 2006 from UK GAAP to IFRS Note 37(b) provides a description of the nature of the IFRS adjustments, as referenced in note 37(a)

37 First adoption of IFRS (continued)

37(a) Numerical reconciliations

Reconciliation of UK GAAP to IFRS consolidated balance sheet at 1 January 2006 (date of transition)

	IFRS Standard (refer to note 37 (b))	UK GAAP (IFRS format) £'000	IFRS adjustments £'000	Change in accounting policy for stock (see note 2) £'000	IFRS balance sheet £'000
Non-current assets					
Goodwill		14 346	–	–	14 346
Other intangible assets	IAS 38	–	139	–	139
Property plant and equipment	IAS 38 IFRS 5 (i)	5 144	(160)	–	4 984
		19 490	(21)	–	19,469
Current assets					
Inventories		3,373	–	130	3,503
Trade and other receivables	IAS 39 (ii)	31,526	(252)	–	31,274
Cash and cash equivalents		1,434	–	–	1 434
Assets held for sale	IFRS 5	–	21	–	21
		36 333	(231)	130	36 232
Current liabilities					
Trade and other payables	IAS 17	(2 514)	(109)	–	(2,623)
Current tax liabilities		(73)	–	(39)	(112)
Borrowings		(982)	–	–	(982)
Derivative financial instruments	IAS 39(iii)	–	(428)	–	(428)
		(3 569)	(537)	(39)	(4 145)
Net current assets		**32,764**	**(768)**	**91**	**32,087**
Non-current liabilities					
Borrowings		(50 990)	–	–	(50 990)
Deferred tax liabilities	(iv)	(133)	65	–	(68)
		(51,123)	65	–	(51,058)
Net assets		**1,131**	**(724)**	**91**	**498**
Equity					
Share capital and share premium		1 000	–	–	1 000
Retained earnings	(v)	131	(724)	91	(502)
Total equity		**1,131**	**(724)**	**91**	**498**

(i) Includes IAS 38 £(139)k and IFRS 5 £(21)k
(ii) Includes IAS 39 interest receivable recognition £(252)k
(iii) Includes IAS 39 interest hedging fair value £(428)k
(iv) Includes IAS 12 £(172)k IAS 17 £33k IAS 39 Interest receivable recognition £76k IAS 39 Interest hedging fair value £128k
(v) Includes IAS 12 £(172)k IAS 17 £(76)k IAS 39 Interest receivable recognition £(176)k, IAS 39 Interest hedging fair value £(300)k

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

37 First time adoption of IFRS (continued)

37(a) Numerical reconciliations (continued)

Reconciliation of UK GAAP to IFRS consolidated balance sheet at 31 December 2006

	IFRS Standard (refer to note 37 (b))	UK GAAP (IFRS format) £'000	IFRS adjustments £'000	Change in accounting policy for stock (see note 2) £'000	IFRS balance sheet £'000
Non-current assets					
Goodwill	IFRS 3(i)	14 283	616	–	14 899
Other intangible assets	IAS 38, IFRS 3(ii)	–	804	–	804
Property, plant and equipment	IAS 38, IFRS 5 (iii)	6 083	(687)	–	5 396
		20,366	733	–	21,099
Current assets					
Inventories		4,070	–	167	4 237
Trade and other receivables	IAS 39(iv)	32 136	(267)	–	31,869
Cash and cash equivalent		2 108	–	–	2,108
Derivative financial instruments	IAS 39 (v)	–	133	–	133
Assets held for sale	IFRS 5	–	37	–	37
		38 314	(97)	167	38,384
Current liabilities					
Trade and other payables	IAS 17	(3 416)	(94)	–	(3,510)
Current tax liabilities		(38)	–	(50)	(88)
Borrowings		(1 255)	–	–	(1,255)
		(4,709)	(94)	(50)	(4 853)
Net current assets		**33,605**	**(191)**	**117**	**33,531**
Non-current liabilities					
Borrowings		(34,617)	–	–	(34 617)
Deferred tax liabilities	(vi)	(351)	(56)	–	(407)
		(34 968)	(56)	–	(35,024)
Net assets		**19,003**	**486**	**117**	**19,606**
Equity					
Share capital and share premium		18,686	–	–	18 686
Share option reserve	(vii)	19	(19)	–	–
Retained earnings	(viii)	298	505	117	920
Total equity		**19,003**	**486**	**117**	**19,606**

(i) Includes IFRS 3 Business combination reversal of goodwill £779k and IFRS 3 £(163)k Business combination reclassification to intangible assets
(ii) Includes IAS 38 Capitalised software £650k IAS 38 Intangible assets amortisation £(9)k IFRS 3 £163k
(iii) Includes IAS 38 Capitalised software £(650)k, and IFRS 3 £(37)k
(iv) Includes IAS 39 Interest receivable recognition £(267)k
(v) Includes IAS 39 Interest hedging fair value £133k
(vi) Includes IAS 12 £(124)k IAS 17 £28k IAS 39 Interest receivable recognition £80k and IAS 39 Interest hedging fair value £(40)k
(vii) Includes the reclassification of the share options reserve to retained earnings
(viii) Includes IAS 12 £(124)k IAS 17 £(66)k IAS 38 £(9)k IAS 39 Interest receivable recognition £(137)k and IAS 39 Interest hedging fair value £93k IFRS 3 Business combination reversal of goodwill £779k and reclassification of the share options reserve to accumulated profits

37 First time adoption of IFRS (continued)

37(a) Numerical reconciliations (continued)

Reconciliation of UK GAAP to IFRS income statement for the year ended 31 December 2006

	IFRS Standard (refer to note 37 (b))	UK GAAP (IFRS format) £'000	IFRS adjustments £'000	Change in accounting policy for stock (see note 2) £'000	IFRS balance sheet £'000
Revenue	IAS 39 (i)	32 130	(15)	–	32 115
Cost of sales		(8 454)	–	(333)	(8 787)
Gross profit		23 676	(15)	(333)	23 328
Other direct expenses	(ii)	(13 999)	785	370	(12 844)
Administrative expenses		(4 344)	–	–	(4,344)
Operating profit		5,333	770	37	6 140
Investment revenues		27	–	–	27
Other gains and losses		46	–	–	46
Finance costs		(4,737)	–	–	(4 737)
Movement in fair value of interest rate swap	IAS 39 (iii)	–	561	–	561
Profit on ordinary activities before taxation		669	1,331	37	2 037
Tax charge on profit	(iv)	(903)	(121)	(11)	(1,035)
(Loss)/profit for the financial year		**(234)**	**1,210**	**26**	**1,002**

(i) Includes IAS 39 Interest receivable recognition £(15)k
(ii) Includes IAS 17 £15k IAS 38 £(9)k and IFRS 3 Business combination reversal of goodwill £779k
(iii) Includes IAS 39 interest hedging fair value £561k
(iv) Includes IAS 12 £48k IAS 17 £(5)k IAS 39 interest receivable recognition £4k and IAS 39 interest hedging fair value £(58)k

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007

37 First time adoption of IFRS (continued)

37(b) Description of the differences between UK GAAP and IFRS affecting the Group

The significant changes as a result of the transition to IFRS and of adopting the IFRS Group accounting policies are described below In addition to these changes there are a number of other assets and liabilities that are classified differently under IFRS These reclassifications have been reflected in the numerical reconciliation in the opening columns of UK GAAP (IFRS format)

IAS 12 "Income Taxes"

General
IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of the assets and liabilities and their tax base This contrasts with UK GAAP (FRS 19) which considered timing differences arising in the profit and loss account

Where the IFRS adjustments discussed in this document create a difference between the carrying amount of an asset or liability and the related tax base, and there are no initial recognition exemptions available under IAS 12, the Group has recorded a deferred tax liability or asset as required

Deferred tax on business combinations
IAS 12 requires that deferred tax is provided in full on differences between the carrying value of assets and liabilities acquired in a business combination and the related tax base, regardless of whether the business combination is accounted for under IFRS 3 In the specific case of business combinations, the initial recognition exemption available under IAS 12 not to recognise deferred tax on transactions which at the time of the transaction do not affect accounting profit or taxable profit is not available

H&T Group plc acquired Harvey & Thomson Limited, in September 2004 in a transaction which was a business combination Harvey & Thomson Limited had at that date certain assets which did not qualify for tax deduction (non qualifying assets) Under UK GAAP these non qualifying assets do not result in a timing difference on which deferred tax is provided Additionally, under IAS 12 in the normal course of events, the initial recognition exemption referred to above is available on these non qualifying assets

The Group has provided for deferred tax on the full difference between the carrying amount of these assets acquired by the Group in September 2004 and their tax base of £nil The impact of this change for the Group has been an increase to profit after taxation of £48 000 in the year to December 2006, a reduction in net assets of £172,000 in the opening balance sheet at 1 January 2006 and a reduction in net assets at 31 December 2006 of £124,000

IAS 17 "Leases"

Lease incentives
Under UK GAAP the benefit of all incentives granted at the outset of a lease was taken over the period to the first rent review (when the rent was expected to be reset to market rates) typically 5 years for the Group IAS 17 requires the benefit of all incentives granted at the outset of a lease to be spread over the term of the lease When compared with the UK GAAP treatment, this has the effect of increasing the rental charge in the early part of a lease and reducing the charge in the latter part of the lease Over the whole lease term the total charge remains the same

The impact of this change for the Group has been an increase to operating profits of £15,000 in the year to December 2006 a reduction in pre-tax net assets of £109,000 in the opening balance sheet at 1 January 2006 and a reduction in pre-tax net assets of £94,000 at 31 December 2006

37 First time adoption of IFRS (continued)

37(b) Description of the differences between UK GAAP and IFRS affecting the Group (continued)

IAS 38 "Intangible Assets"

Capitalised software
Under UK GAAP all capitalised software development costs are included within tangible fixed assets IAS 38 requires that where such costs are not an integral part of the associated hardware they should be classified as intangible assets Accordingly, certain items of property plant and equipment have been reclassified to intangible assets at each reference date where they are items of software that meet the recognition criteria of IAS 38

There is no net impact on the income statement as a result of this reclassification, however, there has been a reclassification of the amounts recorded as depreciation on these assets to amortisation charges The impact on the balance sheets are an increase in Intangible Assets and matching decrease in Property, plant and equipment of £650,000 at 31 December 2006 and £139,000 in the opening balance sheet at 1 January 2006

Intangible assets amortisation
The Group has recognised additional intangible assets under IFRS 3 "Business Combinations", as discussed below IAS 38 requires that amortisation is provided where an intangible asset has a finite life The adjustment arising from this is discussed below in IFRS 3 'Business Combinations"

IAS 39 "Financial Instruments Recognition and Measurement"

Interest receivable recognition
Under UK GAAP interest receivable on pawnbroking contracts is recognised on an accruals basis by reference to the contract interest rate and the percentage of pledge balances that are expected to be redeemed IAS 39 requires interest to be recognised using the effective interest rate method ("EIR") on this financial instrument which has been classed as a loans and receivables' balance This requirement is also present in IAS 18 "Revenue" with respect to all interest income The EIR is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the life of the loan to produce a constant rate on the outstanding balance When compared with the UK GAAP treatment, the effect is to reduce the income recognised in the earlier periods of the pledge agreement and increase the interest income in the latter periods The total interest received remains unchanged

The impact of this change for the Group has been a reduction to operating profits of £15 000 in the year to December 2006 a reduction in pre-tax net assets of £252,000 in the opening balance sheet at 1 January 2006 and a reduction in pre tax net assets at 31 December 2006 of £267,000

Interest hedging fair value
IAS 39 requires all derivatives, including interest rate hedges, to be initially recognised and subsequently re-measured at fair value The Group has an interest rate swap agreement in place covering £35,000 000 of the loan balances at 31 December 2006 (£31,147,000 at 1 January 2006) The Group has not adopted the hedging provisions of IAS 39 and accordingly, changes in fair value are taken to the income statement in the period in which they arise

The impact of this change for the Group has been an increase in pre-tax profits of £561 000 in the year to December 2006, a reduction in pre-tax net assets of £428,000 in the opening balance sheet at 1 January 2006 and an increase in pre-tax net assets of £133,000 at 31 December 2006

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

37 First time adoption of IFRS (continued)

37(b) Description of the differences between UK GAAP and IFRS affecting the Group (continued)

IFRS 3 "Business Combinations"

Business combinations Reversal of goodwill amortisation
Under UK GAAP, the Company recognised goodwill as the difference between the fair value of assets and liabilities acquired and the fair value of consideration paid on all acquisitions of trade and assets and subsidiary companies Goodwill was amortised over its useful economic life, generally being 20 years

IFRS 3 prohibits the amortisation of goodwill The standard requires goodwill to be carried at cost with impairment reviews both annually and when there are indications that the carrying value may not be recoverable

Accordingly amortisation charged in the financial year ended 31 December 2006 has been reversed, increasing operating profit by £779,000 for the year to 31 December 2006 Additionally the accumulated amortisation at the transition date has been eliminated against the cost of goodwill Further adjustments have been made to the goodwill balance resulting from the application of IFRS 3 to business acquisitions after the transition date as detailed below

Goodwill which is recognised as an asset is reviewed for impairment at least annually Any impairment is recognised immediately in the Group income statement and is not subsequently reversed In accordance with IFRS 1 and IAS 36 an impairment review on all assets was duly carried out at the transition date and subsequently in September 2006 and no impairment loss was recognised

Business combinations Intangible assets
The Group has chosen to apply IFRS 3 prospectively from the date of transition and has chosen not to restate previous business combinations

For qualifying business combinations, goodwill under IFRS 3 represents the excess of consideration over the fair values of acquired assets (including any separately identifiable and measurable intangible assets), liabilities and contingent liabilities In the period subsequent to 1 January 2006, the Group made various acquisitions of trade and assets through one of its subsidiaries, Harvey & Thompson Limited The Group has assessed these business combinations under IFRS 3 and identified intangible assets relating to recurring customer relationships which have been reclassified from goodwill to intangible assets The impact on the balance sheets are an increase in Intangible Assets and matching decrease in Goodwill of £103,000 at 31 December 2006 and £nil at 1 January 2006

As required under IAS 38, these intangible assets are amortised over their finite lives (considered to be between 6 and 8 years) and subject to impairment reviews annually and before the end of the accounting period in which they were acquired

The impact of this change for the Group has been a reduction to operating profits of £9 000 in the year to December 2006 and £nil in pre-tax net assets in the opening balance sheet at 1 January 2006

IFRS 5 "Non-current assets held for sale and discontinued operations"

Assets held for disposal

Under UK GAAP, non current assets held for sale are reported as fixed assets until their disposal and are carried at depreciated historic cost

Under IFRS non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition Management must also be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification

After classification as held for sale the non-current assets are measured at the lower of carrying amount and fair value less costs to sell and they are also subject to an impairment review prior to classification as available for sale and subsequently at each reporting date

The Group disposed of various freehold properties during the year ended 31 December 2006 and subsequently in February 2007 The Group has applied the provisions of IFRS 5 to these disposals at each reporting date and reclassified the properties as assets available for sale from the date at which the criteria listed above were met

There is no impact of this change for the Group on the income statement in the year to December 2006 and there is no change in net assets in the opening balance sheet at 1 January 2006

38 Events after the balance sheet date

38 (a) Acquisitions

On 11 February 2008, the Group reached agreement to acquire the trade and assets of an independent pawnbroker and cheque cashing agent The directors consider the book values to be the provisional fair value of those assets acquired other than for certain intangible assets which have been identified as part of the acquisition Other than the consideration paid, there are no material cash flows relating to the acquisition

	£'000
Assets acquired	
Property Plant and Equipment	15
Intangible assets	80
Retail stock	261
Debtors	137
Cash	7
Total assets acquired	500
Consideration	
Cash	551
Total consideration	551
Goodwill	51

38 (b) Dividends

The directors have proposed a final dividend for the year ended 31 December 2007 of 3 4p (note 16)

Independent auditors' report to the members of H&T Group plc

We have audited the parent company financial statements of H&T Group plc for the year ended 31 December 2007 which comprise the company balance sheet and the related notes A to F These parent company financial statements have been prepared under the accounting policies set out therein

We have reported separately on the group financial statements of H&T Group plc for the year ended 31 December 2007

This report is made solely to the Company s members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company s members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company s members as a body for our audit work for this report or for the opinions we have formed

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive s Review of the Business and the Finance Director s Report that is cross referred from the Business Review section of the Directors Report

In addition we report to you if, in our opinion the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements

Opinion
In our opinion
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company s affairs as at 31 December 2007 and its loss for the year then ended
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors Report is consistent with the parent company financial statements

Deloitte & Touche LLP Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Crawley, United Kingdom
18 March 2008

Company balance sheet
as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	C	–	–
		–	–
Current assets			
Debtors	D	**32,367**	28,587
Cash at bank and in hand		**1**	–
		32,368	28 587
Creditors amounts falling due within one year	E	**(21)**	(1 694)
Net current assets		**32,347**	26,893
Total assets less current liabilities		**32,347**	26,893
Net assets		**32,347**	26 893
Capital and reserves			
Called up share capital	F	**1,754**	1,574
Share premium account		**23,994**	17 112
Share option account		**–**	19
Profit and loss account		**6,599**	3 188
Total shareholders' funds		**32,347**	26,893

These financial statements were approved by the Board of Directors on 13 March 2008

Signed on behalf of the Board of Directors

J G Nichols
Chief Executive

Company combined reconciliation of movements in shareholders' funds and statement of movement on reserves

Year ended 31 December 2007

Company	Notes	Share capital £'000	Share premium account £'000	Share option account £'000	Profit and loss account £'000	2007 Total £'000	2006 Total £'000
At 1 January		1,574	17,112	19	8,188	26,893	1,000
Reclassified to profit and loss account		–	–	(19)	19	–	–
(Loss)/profit for the financial year		–	–	–	(206)	(206)	8,188
Dividend paid		–	–	–	(1,507)	(1,507)	–
Issue of share capital	F	180	7,164	–	–	7,344	18,364
Share issue expenses		–	(282)	–	–	(282)	(678)
Share option credit taken directly to equity		–	–	–	105	105	19
At 31 December		**1,754**	**23,994**	**–**	**6,599**	**32,347**	26,893

Notes to the company financial statements
Year ended 31 December 2007

A Accounting policies
The Company financial statements are prepared in accordance with applicable United Kingdom accounting standards They have all been applied consistently throughout the current and preceding financial year

The particular accounting policies adopted are described below

Accounting convention
The financial statements are prepared under the historical cost convention

Taxation
Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date Where tax losses are surrendered to or received from group companies, the amount received/surrendered is charged/credited to the profit and loss account and treated as payable to/receivable from the related group party that has surrendered /received the losses

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group s taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

Equity instruments issued are recorded at the proceeds received net of direct issue costs

Dividends
Dividends receivable from subsidiary undertakings are recorded in the profit and loss account on the date that the dividend becomes a binding liability on the subsidiary company Under the terms of FRS 6 'Acquisitions and mergers the Company records dividends arising from pre-acquisition profit and loss reserves of its subsidiary undertaking in the profit and loss account and considers whether the distribution affects the carrying value of the investment in the subsidiary undertaking

Dividends payable are recorded as a distribution from retained earnings in the period in which they become a binding liability on the Company

Related party transactions
The Company has taken advantage of the exemption contained in FRS 8, 'Related Party Disclosures available to subsidiary undertakings 90 per cent or more of whose voting rights are controlled within the group, not to disclose transactions with entities that are part of the group headed by H&T Group plc or investees of the group qualifying as related parties

There are no other related party transactions of the Company that require disclosure

Cash flow statement
The Company is included in the consolidated financial statements of H&T Group plc which are publicly available Consequently, under the terms of FRS 1, 'Cash Flow Statements the Company has not prepared a cash flow statement

Notes to the company financial statements
Year ended 31 December 2007

B Company profit and loss account
No profit and loss account is presented for the parent company pursuant to section 230 of Companies Act 1985

The Company received £nil dividends from a subsidiary undertaking (2006 £10,000 000)

The Company made a loss after taxation of £206 000 in 2007 (2006 £8,188 000 profit)

The auditors remuneration for the current and preceding financial years is borne by a subsidiary undertaking Harvey & Thompson Limited as disclosed in note 8 to the Group financial statements

No emoluments were paid to the directors by the Company (2006 – £nil) The directors were paid by Harvey & Thompson Limited, a subsidiary company of H&T Group plc Other than the directors, the Company has no employees in either financial year

C Investment

	Total
Company	
Shares in Group undertakings	£
Cost	
At 1 January 2007 and 31 December 2007	1

The investments in Group companies which are all included in the consolidated financial statements are as follows

Name of company	Country of incorporation	Proportion of ordinary shares held Directly	Indirectly	Principal activity
H&T Finance Limited	Great Britain	100%	-	Management of finance
Harvey & Thompson Limited	Great Britain	-	100%	Pawnbroking jewellery sales, unsecured lending, cheque cashing and related services

The Company owns directly or indirectly 100% of the voting rights in all subsidiary undertakings

D Debtors

	Company 2007 £'000	Company 2006 £ 000
Amounts owed by subsidiary companies	**32,331**	23 563
Prepayments and accrued income	**36**	24
	32,367	23 587

E Creditors: amounts falling due within one year

	Company 2007 £'000	Company 2006 £ 000
Amounts owed to subsidiary companies	**-**	1,674
Accruals and deferred income	**21**	20
	21	1,694

F Share capital and movements in reserves
Please refer to the consolidated financial statements of H & T Group plc for details of share capital including shares issued in the year (note 30), dividends paid and proposed (note 16)

Store Directory

Ayr
114 High Street, KA7 1PQ
Tel 01292 619 867

Barking
27 East Street, IG11 8ER
Tel 020 8594 6100

Basildon
1a Market Pavement, SS14 1DD
Tel 01268 281 223

Birkenhead
The Grange Shopping Centre
26 Borough Pavement, CH41 2XX
Tel 0151 647 5053

Birmingham
10 Ethel Street, B2 4BG
Tel 0121 632 5166

Blackburn
29 Penny Street, BB1 6HQ
Tel 01254 667 660

Blackpool
97 99 Central Drive FY1 5EE
Tel 01253 622 039

Bolton
13 Newport Street BL1 1NE
Tel 01204 385 530

Bootle
Unit 115 Strand Shopping Centre, L20 4SU
Tel 0151 933 7433

Bow
575 Roman Road E3 5EL
Tel 020 8983 9553

Bradford
26 James Street BD1 3PZ
Tel 01274 390 675

Brighton
4 Castle Square, BN1 1EG
Tel 01273 326 061

Burnt Oak
75 Burnt Oak Broadway, HA8 5EP
Tel 020 8952 2523

Catford
58 Rushey Green SE6 4JD
Tel 020 8690 3549

Chalk Farm
36 Chalk Farm Road, NW1 8AJ
Tel 020 7485 2668

Chatham
321 High Street, ME4 4BN
Tel 01634 811 811

Clapham
9 Northcote Road SW11 1NG
Tel 020 7228 3807

Clapton
157 Clapton Common E5 9AE
Tel 020 8809 1488

Clydebank
Unit 29 31, In Shops Shopping Centre,
36 Sylvania Way South, G81 1EA
Tel 0141 951 2085

Corby
19 Corporation Street NN17 1NG
Tel 01536 402 386

Coventry
10a Hales Street, CV1 1JD
Tel 02476 256 220

Crawley
11 Broadwalk, Northgate, RH10 1HJ
Tel 01293 618 270

Dagenham
299 Heathway, RM9 5AQ
Tel 020 8592 8848

Dalston
52 Kingsland High St , E8 2JP
Tel 020 7254 1788

Deptford
72 Deptford High Street SE8 4RT
Tel 020 8692 3092

Doncaster
CPJ, 23 High Street DN1 1DW
Tel 01302 812 099

Dudley
215 Wolverhampton St DY1 1EF
Tel 01384 233 577

Dundee
116 Seagate DD1 2ET
Tel 01382 205 213

Durham
The Cheque Shop 69 North Road,
DH1 4SQ
Tel 0191 374 1313

Easterhouse
Unit 19, Shandwick Sq Shop C
Bogbain Rd G34 9DT
Tel 0141 771 3796

East Kilbride
10 Princes Mall, G74 1LB
Tel 01355 232 520

Edinburgh
106 Lauriston Place EH3 9HX
Tel 0131 229 4448

Ellesmere Port
43 Marina Drive,
Port Arcades Shopping Ctr CH65 0AN
Tel 0151 357 3176

Finsbury
259 261 Seven Sisters Road, N4 2DD
Tel 020 7272 9249

Fulham
224 Northend Road, W14 9NU
Tel 020 7385 3188

Gillingham
169 High Street, ME7 1AQ
Tel 01634 855 053

Glasgow
9 11 Bath Street, G2 1HY
Tel 0141 332 5637

Govan
595 Govan Road G51 2AS
Tel 0141 445 1567

Gravesend
21 King Street DA12 2EB
Tel 01474 363 611

Greenock
Unit 3 Hamilton Gate,
Oakmall Shopping Ctr, PA15 1JW
Tel 01475 726 616

Hammersmith
134 King Street, W6 0QU
Tel 020 8563 8585

Hastings
18 Queens Road, Hastings, TN34 1QY
Tel 01424 430 190

Hounslow
30 High Street TW3 1NW
Tel 020 8570 4626

Ilford
91-93 Cranbrook Road IG1 4PG
Tel 020 8514 3334

Irvine
1/3 Bridgegate, KA12 8BJ
Tel 01294 273 823

Kirkby
Unit 67, In Shops Shopping Centre,
L32 8US
Tel 0151 546 6622

Store Directory

Kirkcaldy
85 High Street, Kirkcaldy Fife KY1 1LN
Tel 01592 262 554

Leicester
69 Market Place LE1 5EL
Tel 0116 262 4566

Leyton
281 High Road E10 5QN
Tel 020 8539 8332

Liverpool
Unit 5, 42 46 Whitechapel L1 6EF
Tel 0151 709 2151

Livingston
Unit 22, Almondvale Shopping Centre,
EH54 6HR
Tel 01506 431 779

Luton
174 The Arndale Centre, LU1 2TL
Tel 01582 496 711

Macclesfield
23 Chestergate SK11 6BX
Tel 01625 430 699

Newcastle
16 Newgate Shopping Centre, NE1 5RB
Tel 0191 232 6908

Paddington
53 Praed Street W2 1NS
Tel 020 7723 5736

Partick
333 Dumbarton Road, G11 6AL
Tel 0141 334 1258

Peckham
51 High Street SE15 5EB
Tel 020 7703 4547

Poplar
22 Market Way, E14 6AH
Tel 020 7987 1596

Portsmouth
Jenours 186 Kingston Road PO2 7LP
Tel 02392 421 742

Rotherham
CPJ, 31a Wellgate S60 2NB
Tel 01709 720 614

Rugby
1 Church Street CV21 3PH
Tel 01788 577 110

Runcorn
Unit 119, Halton Lea Shopping Ctr
WA7 2BX
Tel 01928 796 313

Rutherglen
Unit 3, Mitchell Arcade,
Rutherglen Shop C G73 2LS
Tel 0141 647 6040

Salford
70 Fitzgerald Way, Salford Shopping C
M6 5HW
Tel 0161 745 7949

Sheffield
The Kiosk, 1 13 Angel Street, S3 8LN
Tel 0114 276 9231

Slough
64 High Street SL1 1EL
Tel 01753 693 303

Springburn
Unit 13, Springburn Shop C
Springburn Way G21 1TS
Tel 0141 558 7569

Stockport
109 Princes Street, SK1 1RW
Tel 0161 476 5860

St Helens
4 Ormskirk Street WA10 1BH
Tel 01744 610 331

Streatham
254 Streatham High Rd, SW16 1HT
Tel 020 8677 4508

Stretford
Unit 44, Ground Floor Brody Street Mall,
Streford Mall Shopping Centre, M32 9BB
Tel 0161 865 4930

Surrey Quays
196 Lower Road SE16 2UN
Tel 020 7231 6177

Sutton
246 High Street, SM1 1PA
Tel 020 8642 2115

Tooting
63 Mitcham Road SW17 9PB
Tel 020 8672 5127

Tooting Junction
The Gold Shop, 20-22 London Road
SW17 9HW
Tel 020 8640 7575

Walsall
10a Digbeth Square WS1 1QU
Tel 01922 638 501

Walthamstow
234 High Street E17 7JH
Tel 020 8521 8156

Walton Vale
27 Walton Vale Liverpool L9 4RE
Tel 0151 525 5182

Walworth
391 Walworth Road SE17 2AW
Tel 020 7703 2946

Waterloo
111 Lower Marsh, SE1 7AE
Tel 020 7928 0382

Watford
114 High Street, WD17 2GW
Tel 01923 247 740

Welling
3 Bellegrove Road, DA16 3PA
Tel 020 8303 3645

Wigan
21 Hope Street, Galleries Shopping Centre
WN1 1QF
Tel 01942 237 518

Willesden
70 High Road, NW10 2PU
Tel 020 8459 3527

Wolverhampton
Cleveland Gold, 10a Cleveland Street,
WV1 3HH
Tel 1902 425 648

Wood Green
12 Cheapside, N22 6HH
Tel 020 8889 9484

Worksop
90 Bridge Street, S80 1JA
Tel 01909 480 146

Get>Go
22 Market Street, Bury, BL9 0AJ
Tel 0161 797 1330

Get>Go
549 West Derby Road, Tuebrook, L13 8AD
Tel 0151 228 9298

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