

H&T Group plc

Preliminary results For the year ended 31 December 2007

H&T Group ("H&T" or the "Group"), the UK's largest pawnbroker by size of pledge book, is pleased to announce its preliminary results for the year ended 31 December 2007

Financial highlights

	2007 £m	2006 £m	Change %
Gross profit	27.7	23.3	+18.6
Earnings before Interest, Tax, Depreciation, Amortisation ("EBITDA") before exceptional items	11.4	9.4	+20.8
Operating profit before exceptional items	10.0	8.0	+24.1
PBT before exceptional items	7.2	4.7	+52.5
PBT	7.4	2.0	+261.5
Basic EPS excluding exceptional items	14.72p	11.91p	+23.6
Basic EPS	15.17p	3.65p	+315.6
Proposed final dividend	3.4p	3.0p	+13.3
Pledge book	27.9	25.2	+10.4

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

John Nichols, Chief Executive of H&T Group commented

"My fellow directors and I are extremely pleased with this set of results where operating profit before exceptional items reached the £10 million milestone.

Against wider perception, the more difficult economic climate is not automatically a driver for our pawnbroking business. We have seen strong growth in turnover and gross profit across all business segments.

The demand for gold asset-backed lending remains strong and the business is continuing to benefit from the rise in the price of gold through higher margin on disposition. Our core stores continue to deliver growth while our investment in new stores and acquisitions offer good profit prospects for the future years.

I have every reason to look to the future with confidence."

H&T Group plc

Preliminary results For the year ended 31 December 2007

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H&T Group plc

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 J Middleton

Chairman

H&T Group plc

Chief Executive's Review

Introduction

2007 was a record year for H&T on a number of metrics. Our business model has proved scalable, 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). 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 this 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).

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Chief Executive's Review

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.

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 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.

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Chief Executive's Review

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.

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Chief Executive's Review

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.

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Chief Executive's Review

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

H&T Group plc

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 led 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 which has temporarily been used to reduce the level of borrowings. The restructuring in May 2006 incurred an exceptional charge of £0.8 million in the 2006 financial year (2007: £nil).

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Finance Director's Review

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 3.4 p per share (2006: 3.0 p) giving a total dividend per share of 5.0 p for 2007 (2006: 3.0 p).

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.

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Finance Director's Review

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

This announcement includes 'forward-looking statements'. These statements contain the words "anticipate", "believe", "intend", "estimate", "expect", and words of similar meaning. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's products and services) are forward-looking statements that are based on current expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance, achievements or financial position of the Group to be materially different from future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's operating performance, present and future business strategies, and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this announcement. Past performance cannot be relied upon as a guide to future performance.

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Consolidated income statement Year ended 31 December 2007

	Note	Before exceptional items £'000	Exceptional Items £'000	2007 Total £'000	Before exceptional items £'000	Exceptional Items £'000	2006 Total £'000
Revenue	2	38,363	-	38,363	32,115	-	32,115
Cost of sales		(10,699)	-	(10,699)	(8,787)	-	(8,787)
Gross profit	2	27,664	-	27,664	23,328	-	23,328
Other direct expenses		(12,844)	-	(12,844)	(10,886)	-	(10,886)
Administrative expenses		(4,836)	-	(4,836)	(4,399)	(1,903)	(6,302)
Operating profit		9,984	-	9,984	8,043	(1,903)	6,140
Investment revenues		35	-	35	27	-	27
Other gains		-	201	201	-	46	46
Finance costs	3	(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	4	(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	5	15.17	3.65
Diluted	5	15.14	3.65

All results derive from continuing operations.

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Consolidated balance sheet At 31 December 2007

	2007 £'000	2006 £'000
Non-current assets		
Goodwill	16,415	14,899
Other intangible assets	1,480	804
Property, plant and equipment	6,093	5,396
	<hr/> 23,988	<hr/> 21,099
Current assets		
Inventories	6,720	4,237
Trade and other receivables	36,105	31,869
Cash and cash equivalents	1,966	2,108
Derivative financial instruments	-	133
Assets held for sale	-	37
	<hr/> 44,791	<hr/> 38,384
Total assets	<hr/> 68,779	<hr/> 59,483
Current liabilities		
Trade and other payables	(3,322)	(3,510)
Current tax liabilities	(1,193)	(88)
Borrowings	(1,766)	(1,255)
Derivative financial instruments	(18)	-
	<hr/> (6,299)	<hr/> (4,853)
Net current assets	<hr/> 38,492	<hr/> 33,531
Non-current liabilities		
Borrowings	(31,651)	(34,617)
Deferred tax liabilities	(365)	(407)
Provisions	(119)	-
	<hr/> (32,135)	<hr/> (35,024)
Total liabilities	<hr/> (38,434)	<hr/> (39,877)
Net assets	<hr/> 30,345	<hr/> 19,606

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Consolidated balance sheet (continued)

At 31 December 2007

	2007	2006
	£'000	£'000
Equity		
Share capital	1,754	1,574
Share premium account	23,994	17,112
Retained earnings	4,597	920
	<hr/>	<hr/>
Total equity	30,345	19,606

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Consolidated statement of changes in equity Year ended 31 December 2007

	Share capital £'000	Share premium account £'000	Retained (deficit)/ earnings £'000	Total £'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	-	-	19	19
Corporation tax on share options	-	-	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	180	7,164	-	7,344
Share issue costs	-	(282)	-	(282)
Share option credit taken directly to equity	-	-	105	105
Dividends paid	-	-	(1,507)	(1,507)
At 31 December 2007	1,754	23,994	4,597	30,345

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Consolidated cash flow statement Year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Net cash from/(used by) operating activities	6	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		(3,550)	(1,013)
Net cash used in investing activities		(5,645)	(3,510)
Financing activities			
Dividends paid		(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

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Notes to the preliminary announcement Year ended 31 December 2007

1. Financial information and basis of preparation

The financial information has been abridged from the audited financial statements for the year ended 31 December 2007.

The financial information set out in this document does not constitute the company's statutory accounts for the year ended 31 December 2007, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s.237(2) or (3) Companies Act 1985.

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

2. Business and geographical statements

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.

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Notes to the preliminary announcement Year ended 31 December 2007

2. Business and geographical segments (continued)

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.

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.

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Notes to the preliminary announcement Year ended 31 December 2007

2. Business and geographical segments (continued)

Segment information about these businesses is presented below:

	Pawnbroking	Retail	Scrap	Cheque	Other	Consolidated
	2007	2007	2007	cashing	financial	Year
2007	£'000	£'000	£'000	2007	services	ended
Revenue				£'000	2007	2007
					£'000	£'000
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

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.

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Notes to the preliminary announcement Year ended 31 December 2007

2. Business and geographical segments (continued)

	Pawnbroking	Retail	Scrap	Cheque	Other	Consolidated
	2007	2007	2007	cashing	financial	Year
	£'000	£'000	£'000	2007	services	ended
				£'000	2007	2007
					£'000	£'000
Other information						
Capital additions (*)	-	-	-	-	-	1,154
Depreciation and amortisation (*)	-	-	-	-	-	1,368
Impairment losses recognised in income	80	-	-	1,637	799	2,516
Balance sheet						
Assets						
Segment assets	32,283	6,182	537	2,089	531	41,622
Unallocated corporate assets						<u>27,157</u>
Consolidated total assets						<u>68,779</u>
Liabilities						
Segment liabilities	-	(149)	-	(58)	(95)	(302)
Unallocated corporate liabilities						<u>(38,132)</u>
Consolidated total liabilities						<u>(38,434)</u>

(*) See below

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Notes to the preliminary announcement Year ended 31 December 2007

2. Business and geographical segments (continued)

	Pawnbroking	Retail	Scrap	Cheque	Other	Consolidated
	2006	2006	2006	cashing	Financial	Year
2006	£'000	£'000	£'000	2006	Services	ended
Revenue	£'000	£'000	£'000	£'000	2006	2006
					£'000	£'000
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	23,328
Other information	£'000	£'000	£'000	£'000	£'000	£'000
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)

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Notes to the preliminary announcement Year ended 31 December 2007

2. Business and geographical segments (continued)

(*) 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.

3. Finance costs

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

The £801,000 exceptional charge in 2006 relates to costs expensed associated with the arrangement fees of the bank loan restructuring.

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.

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Notes to the preliminary announcement Year ended 31 December 2007

4. Tax charge

(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	(95)	52	(43)	73	266	339
Tax charge on profit	2,232	52	2,284	1,421	(386)	1,035

H&T Group plc

Notes to the preliminary announcement Year ended 31 December 2007

4. Tax charge (continued)

(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	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.

5. Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. With respect to the Group these represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

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Notes to the preliminary announcement Year ended 31 December 2007

5. Earnings per share (continued)

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)	-	(1.4)
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

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Notes to the preliminary announcement Year ended 31 December 2007

6. Note to the cash flow statement

	2007	2006
	£'000	£'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)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Cash generated from operations	6,330	7,625
Income taxes paid	(1,221)	(291)
Debt restructuring cost	-	(801)
Interest paid	(2,462)	(6,787)
	<hr/>	<hr/>
Net cash from/(used by) operating activities	2,647	(254)
	<hr/> <hr/>	<hr/> <hr/>

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.