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Section 1 Introduction

From the year ending 31 December 2007 H&T Group Plc ("the Group") will prepare its consolidated accounts in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union in order for the Group financial statements to comply with the AIM rules. This document has been prepared to illustrate the differences that will arise when the financial statements are prepared under IFRS rather than UK Generally Accepted Accounting Practice ("UK GAAP").

The Group's first IFRS results will be its interim results for 30 June 2007 and the first Annual Report under IFRS will be for the year ending 31 December 2007.

Section 5 contains the reconciliations of the Group's UK GAAP balance sheets to its preliminary IFRS balance sheets as at 1 January 2006 (the "opening balance sheet"), 30 June 2006 and 31 December 2006 together with reconciliations of the Group's UK GAAP income statements to its preliminary IFRS income statements for the six months to 30 June 2006 and for the year to 31 December 2006. The preliminary IFRS financial statements will form the basis of the comparative information in the first IFRS accounts and have been prepared on the basis of IFRS expected to be in issue at 31 December 2007 but are still subject to change. We will update the restated information for any such change. The accounting policies applied in preparing the preliminary IFRS financial statements are set out in Section 4 of this document.

The preliminary opening balance sheet and preliminary IFRS financial statements for the full year ended 31 December 2006 have been audited by Deloitte & Touche LLP. The interim preliminary IFRS financial information for 30 June 2006 has been reviewed by Deloitte & Touche LLP. Their reports, which draw attention to the fact that there is a possibility that the preliminary opening balance sheet and the preliminary financial statements may require adjustment before constituting final IFRS financial statements and that only a complete set of financial statements can provide a fair presentation of the Group's financial position, are set out at the end of this report.

In summary, the impact of adopting IFRS on the accounts for the year ended 31 December 2006 is as follows:

Impact on income statement

		Profit before taxation £'000	Taxation £'000	(Loss)/profit for the financial year £'000
UK GAAP		**669**	**(903)**	**(234)**
IFRS adjustments:				
IAS 12	Deferred tax on business combinations	-	48	48
IAS 17	Lease incentives	15	(5)	10
IAS 38	Intangible assets amortisation	(9)	-	(9)
IAS 39	Interest receivable recognition	(15)	4	(11)
IAS 39	Interest hedging fair value	561	(168)	393
IFRS 3	Business combinations: reversal of goodwill amortisation	779	-	779
Total IFRS Adjustments		1,331	(121)	1,210
IFRS income statement		**2,000**	**(1,024)**	**976**
Change in accounting policy for stock		37	(11)	26
Preliminary IFRS income statement		**2,037**	**(1,035)**	**1,002**

Impact on net assets

		Net assets £'000
UK GAAP net assets		**19,003**
IFRS adjustments (net of taxation where applicable):		
IAS 12	Deferred tax on business combinations	(124)
IAS 17	Lease incentives	(66)
IAS 38	Intangible assets amortisation	(9)
IAS 39	Interest receivable recognition	(187)
IAS 39	Interest hedging fair value	93
IFRS 3	Business combinations: reversal of goodwill amortisation	779
Total IFRS adjustments		486
IFRS net assets		**19,489**
Change in accounting policy for stock		117
Preliminary IFRS net assets		**19,606**

Section 2 Basis of preparation and first time adoption

The IFRS financial statements for the year ended 31 December 2006 and the period ended 30 June 2006 have been prepared in accordance with the accounting policies set out in Section 4 of this document, subject to the exemptions permitted by IFRS 1 as outlined below, which are the policies which the Group expects to adopt in its first set of financial statements prepared under IFRS for the year ending 31 December 2007.

Previously, the Group's consolidated financial statements were prepared in accordance with UK GAAP. UK GAAP differs in certain respects from IFRS. Therefore, in preparing this IFRS consolidated financial information, certain accounting, valuation and consolidation methods applied under UK GAAP have been amended.

The Group has adopted IFRS from 1 January 2006 ("the date of transition").

IFRS 1 "First time adoption of IFRS" establishes the transitional requirements for the preparation of financial statements in accordance with IFRS for the first time.

The general principle is to establish accounting policies under IFRS then to apply these retrospectively at the date of transition to determine the opening balance sheet.

IFRS 1 permits a number of first time adoption exemptions. The exemption which the Group has elected to take relates to business combinations. The Group has elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations before the transition date. As a result, the carrying value of goodwill recorded under UK GAAP has been fixed at 1 January 2006 as deemed cost and will no longer be amortised. The goodwill will be tested for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable as outlined in the accounting policies in section 4.

Section 3 Principal 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 changes and reclassifications are shown in Section 5.

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. These adjustments are shown as a component of the related IFRS adjustment in section 5.

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.

Accordingly, the Group has provided for deferred tax on the full difference the between 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, £25,000 in the six months to June 2006 and a reduction in net assets of £172,000 in the opening balance sheet at 1 January 2006.

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, £11,000 in the six months to June 2006 and a reduction in pre-tax net assets of £109,000 in the opening balance sheet at 1 January 2006.

IAS 19 "Employee Benefits"

Holiday pay accrual

IAS 19 requires an accrual to be made for earned but unpaid holiday pay. The Group's holiday year runs from January to December and no holiday carryover is permitted. Accordingly, the requirement to record a holiday pay accrual has no impact on the opening balance sheet or the 31 December 2006 balance sheet, but affects each June half year balance sheet for timing differences between holiday being earned and being taken.

An accrual of £199,000 has been made at 30 June 2006. The movement in this accrual has no impact to the income statement for the year to 31 December 2006 but creates a charge of £199,000 to the income statement for the six months to 30 June 2006.

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, £554,000 at 30 June 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, £25,000 in the six months to June 2006 and a reduction in pre-tax net assets of £252,000 in the opening balance sheet at 1 January 2006.

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 30 June 2006 and 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 a reduction charge to finance costs of £561,000 in the year to December 2006, £229,000 in the six months to June 2006 and a reduction in pre-tax net assets of £428,000 in the opening balance sheet at 1 January 2006.

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.

IFRS 3 "Business Combinations" (continued)

Business combinations: Reversal of goodwill amortisation (continued)

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 and by £384,000 for the six months to 30 June 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
As stated in Section 2, the Group has chosen to apply IFRS 3 prospectively from the date of transition (1 January 2006) 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. As noted above, the Group has not applied IFRS 3 to business combinations prior to the transition date of 1 January 2006. 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 £163,000 at 31 December 2006, £nil at 30 June 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 5 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, £nil in the six months to June 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 or the six months to June 2006 and there is no change in net assets in the opening balance sheet at 1 January 2006.

Section 4 IFRS accounting policies

Basis of preparation

The preliminary IFRS balance sheets and income statements shown in Section 5 have been prepared on the basis of IFRS expected to be in issue at 31 December 2007. The preliminary IFRS financial statements will form the basis of the comparative information in the first IFRS accounts and have been prepared on the basis of IFRS expected to be in issue at 31 December 2007 but are still subject to change. We will update the restated information for any such change in the 31 December 2007 financial statements.

The financial information set out in section 5 does not constitute the company's statutory accounts for the year ended 31 December 2006, or for the six months ended 30 June 2006, or as at 1 January 2006. Statutory accounts for the years ended 31 December 2005 and 31 December 2006 have been delivered to the Registrar of Companies prepared under the basis of UK Generally Accepted Accounting Practice. The auditors have reported on the 31 December 2005 and 31 December 2006 accounts, under the afore mentioned UK GAAP basis of preparation; their reports were unqualified and did not contain statements under s. 237(2) or (3) of the Companies Act 1985.

Whilst the financial information included in section 5 has been prepared in accordance with IFRS's as adopted for use by the European Union, it does not constitute full IFRS compliant financial statements. In particular, the information contained in section 5 indicates the quantitative adjustments that are expected to arise as a result of the transition to IFRS, but does not include all the primary statements that would be required under IFRS, nor does it include the disclosures that are required for IFRS compliant financial statements.

The Group will comply with all these requirements (when it is required to do so), when it prepares its first annual IFRS statements covering the year ending 31 December 2007.

The preliminary IFRS financial statements have been prepared on an historical cost basis, except for the measurement of balances at fair value as disclosed in the accounting policies below.

First time adoption

The Group has adopted IFRS from 1 January 2006 ('the date of transition'). In accordance with IFRS 1 the Group is entitled to a number of voluntary and mandatory exemptions from full restatement , which have been adopted as follows:

Business combinations

The basis of accounting for pre-transition combinations under UK GAAP has not been revisited.

Change in accounting policy

During the current financial year, being the year ending 31 December 2007, 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 Administrative 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 UK GAAP. This change in accounting policy has been accounted for retrospectively and the financial statements at 1 January 2006, 30 June 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, £24,000 in the six months to 30 June 2006 and an increase in net assets of £91,000 in the opening balance sheet as at 1 January 2006.

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 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.

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 systems:	
- Computer hardware	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.

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 acquired sole trade business 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 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 (continued)
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 customer relationships 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 (5 to 7 years).

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.

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 at call 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.

Financial instruments (continued)

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 remeasured to fair value at each reporting date. The gains and losses on remeasurement are taken to the income statement and reported as finance income or cost respectively.

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.

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

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.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

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. 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. 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 in the share option account.

No cost is recognised for awards that do not ultimately vest.

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 material finance leases.

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 tax 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.

Share capital and share premium
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 reserve.

Incremental external costs directly attributable to the issue of new shares (other than in connection with a business combination) are recorded in equity as a deduction, net of tax, to the share premium reserve.

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;
- 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 comprises 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.

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.

Operating profit
Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Interim financial statements
As permitted, the Group has not adopted IAS 34 "Interim Financial Reporting". Therefore the disclosures presented would not comply in full with the requirements of that standard.

Section 5 Reconciliations

H&T Group plc

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

	UK GAAP (IFRS format)	**IAS 12** *Deferred tax on business combinations*	**IAS 17** *Lease incentives*	**IAS 19** *Holiday pay accrual*	**IAS 38** *Capitalised software*	**IAS 38** *Intangible assets amortisation*	**IAS39** *Interest receivable recognition*	**IAS 39** *Interest hedging fair value*	**IFRS 3** *Business combinations: Reversal of goodwill amortisation*	**IFRS 5** *Assets held for disposal*	**Balance sheet after IFRS adjustments**	*Change in accounting policy for stock (see accounting policies)*	**Preliminary IFRS balance sheet**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets													
Goodwill	14,346	-	-	-	-	-	-	-	-	-	14,346	-	14,346
Other intangible assets	-	-	-	-	139	-	-	-	-	-	139	-	139
Property, plant and equipment	5,144	-	-	-	(139)	-	-	-	-	(21)	4,984	-	4,984
	19,490	-	-	-	-	-	-	-	-	(21)	19,469	-	19,469
Current assets													
Inventories	3,373	-	-	-	-	-	-	-	-	-	3,373	130	3,503
Trade and other receivables	31,526	-	-	-	-	-	(252)	-	-	-	31,274	-	31,274
Assets held for sale	-	-	-	-	-	-	-	-	-	21	21	-	21
Cash and cash equivalent	1,434	-	-	-	-	-	-	-	-	-	1,434	-	1,434
	36,333	-	-	-	-	-	(252)	-	-	21	36,102	130	36,232
Current liabilities													
Trade and other payables	(2,514)	-	(109)	-	-	-	-	-	-	-	(2,623)	-	(2,623)
Current tax liabilities	(73)	-	-	-	-	-	-	-	-	-	(73)	(39)	(112)
Bank overdraft and loans	(982)	-	-	-	-	-	-	-	-	-	(982)	-	(982)
Derivative financial instruments	-	-	-	-	-	-	-	(428)	-	-	(428)	-	(428)
	(3,569)	-	(109)	-	-	-	-	(428)	-	-	(4,106)	(39)	(4,145)
Net current assets	32,764	-	(109)	-	-	-	(252)	(428)	-	21	31,996	91	32,087
Non-current liabilities													
Borrowings	(50,990)	-	-	-	-	-	-	-	-	-	(50,990)	-	(50,990)
Deferred tax liabilities	(133)	(172)	33	-	-	-	76	128	-	-	(68)		(68)
	(51,123)	(172)	33	-	-	-	76	128	-	-	(51,058)	-	(51,058)
Net assets	**1,131**	**(172)**	**(76)**	**-**	**-**	**-**	**(176)**	**(300)**	**-**	**-**	**407**	**91**	**498**
Equity													
Share capital	1,000	-	-	-	-	-	-	-	-	-	1,000	-	1,000
Share option reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	131	(172)	(76)	-	-	-	(176)	(300)	-	-	(593)	91	(502)
Total equity	**1,131**	**(172)**	**(76)**	**-**	**-**	**-**	**(176)**	**(300)**	**-**	**-**	**407**	**91**	**498**

H&T Group plc

Reconciliation of UK GAAP to preliminary IFRS consolidated balance sheet at 30 June 2006

	UK GAAP (IFRS format)	**IAS 12** ***Deferred tax on business combinations***	**IAS 17** ***Lease incentives***	**IAS 19** ***Holiday pay accrual***	**IAS 38** ***Capitalised software***	**IAS 38** ***Intangible assets amortisation***	**IAS39** ***Interest receivable recognition***	**IAS 39** ***Interest hedging fair value***	**IFRS 3** ***Business combinations: Reversal of goodwill amortisation***	**IFRS 5** ***Assets held for disposal***	**Balance sheet after IFRS adjustments**	***Change in accounting policy for stock (see accounting policies)***	**Preliminary IFRS balance sheet**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets													
Goodwill	13,962	-	-	-	-	-	-	-	384		14,346	-	14,346
Other intangible assets	-	-	-	-	554	-	-	-	-	-	554	-	554
Property, plant and equipment	5,437	-	-	-	(554)	-	-	-	-	(58)	4,825	-	4,825
	19,399	-	-	-	-	-	-	-	384	(58)	19,725	-	19,725
Current assets													
Inventories	4,277	-	-	-	-	-	-	-	-	-	4,277	165	4,442
Trade and other receivables	31,185	-	-	-	-	-	(277)	-	-	-	30,908	-	30,908
Assets held for sale	-	-	-	-	-	-	-	-	-	58	58	-	58
Cash and cash equivalent	1,220	-	-	-	-	-	-	-	-	-	1,220	-	1,220
	36,682	-	-	-	-	-	(277)	-	-	58	36,463	165	36,628
Current Liabilities													
Trade and other payables	(3,546)	-	(98)	-	-	-	-	-	-	-	(3,644)	-	(3,644)
Current tax liabilities	-	-	-	-	-	-	-	-	-	-	-	(50)	(50)
Bank overdraft and loans	(1,043)	-	-	-	-	-	-	-	-	-	(1,043)	-	(1,043)
Provisions	-	-	-	(199)	-	-	-	-	-	-	(199)	-	(199)
Derivative financial instruments	-	-	-	-	-	-	-	(199)	-	-	(199)	-	(199)
	(4,589)	-	(98)	(199)	-	-	-	(199)	-	-	(5,085)	(50)	(5,135)
Net current assets	32,093	-	(98)	(199)	-	-	(277)	(199)	-	58	31,378	115	31,493
Non-current liabilities													
Borrowings	(34,846)	-	-	-	-	-	-	-	-	-	(34,846)	-	(34,846)
Deferred tax liabilities	(143)	(147)	30	60	-	-	83	59	-	-	(58)	-	(58)
	(34,989)	(147)	30	60	-	-	83	59	-	-	(34,904)	-	(34,904)
Net assets	**16,503**	**(147)**	**(68)**	**(139)**	**-**	**-**	**(194)**	**(140)**	**384**	**-**	**16,199**	**115**	**16,314**
Equity													
Share capital	18,687	-	-	-	-	-	-	-	-	-	18,687	-	18,687
Share option reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	(2,184)	(147)	(68)	(139)	-	-	(194)	(140)	384	-	(2,488)	115	(2,373)
Total equity	**16,503**	**(147)**	**(68)**	**(139)**	**-**	**-**	**(194)**	**(140)**	**384**	**-**	**16,199**	**115**	**16,314**

H&T Group plc

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

	UK GAAP (IFRS format)	IAS 12 *Deferred tax on business combinations*	IAS 17 *Lease incentives*	IAS 19 *Holiday pay accrual*	IAS 38 *Capitalised software*	IAS 38 *Intangible assets amortisation*	IAS39 *Interest receivable recognition*	IAS 39 *Interest hedging fair value*	IFRS 3 *Business combinations: +* £'000	IFRS 5 *Assets held for disposal*	Balance sheet after IFRS adjustments	*Change in accounting policy for stock (see accounting policies)*	Preliminary IFRS balance sheet
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Non-current assets													
Goodwill	14,283	-	-	-	-	-	-	-	616	-	14,899	-	14,899
Other intangible assets	-	-	-	-	650	(9)	-	-	163	-	804	-	804
Property, plant and equipment	6,083	-	-	-	(650)	-	-	-	-	(37)	5,396	-	5,396
	20,366	-	-	-	-	(9)	-	-	779	(37)	21,099	-	21,099
Current assets													
Inventories	4,070	-	-	-	-	-	-	-	-	-	4,070	167	4,237
Trade and other receivables	32,136	-	-	-	-	-	(267)	-	-	-	31,869	-	31,869
Assets held for sale	-	-	-	-	-	-	-	-	-	37	37	-	37
Cash and cash equivalent	2,108	-	-	-	-	-	-	-	-	-	2,108	-	2,108
Derivative financial instruments	-	-	-	-	-	-	-	133	-	-	133	-	133
	38,314	-	-	-	-	-	(267)	133	-	37	38,217	167	38,384
Current liabilities													
Trade and other payables	(3,416)	-	(94)	-	-	-	-	-	-	-	(3,510)	-	(3,510)
Current tax liabilities	(38)	-	-	-	-	-	-	-	-	-	(38)	(50)	(88)
Bank overdraft and loans	(1,255)	-	-	-	-	-	-	-	-	-	(1,255)	-	(1,255)
	(4,709)	-	(94)	-	-	-	-	-	-	-	(4,803)	(50)	(4,853)
Net current assets	33,605	-	(94)	-	-	-	(267)	133	-	37	33,414	117	33,531
Non-current liabilities													
Borrowings	(34,617)	-	-	-	-	-	-	-	-	-	(34,617)	-	(34,617)
Deferred tax liabilities	(351)	(124)	28	-	-	-	80	(40)	-	-	(407)	-	(407)
	(34,968)	(124)	28	-	-	-	80	(40)	-	-	(35,024)	-	(35,024)
Net assets	**19,003**	**(124)**	**(66)**	**-**	**-**	**(9)**	**(187)**	**93**	**779**	**-**	**19,489**	**117**	**19,606**
Equity													
Share capital	18,686	-	-	-	-	-	-	-	-	-	18,686	-	18,686
Share option reserve	19	-	-	-	-	-	-	-	-	-	19	-	19
Retained earnings	298	(124)	(66)	-	-	(9)	(187)	93	779	-	774	117	8,991
Total equity	**19,003**	**(124)**	**(66)**	**-**	**-**	**(9)**	**(187)**	**93**	**779**	**-**	**19,489**	**117**	**19,606**

+ The IFRS 3 Business combinations adjustment includes the reversal of goodwill amortisation charged in the year to 31 December 2006 of £779,000 and the reclassification of intangible assets identified on the acquisitions completed in the year ended 31 December 2006 of £163,000.

H&T Group plc

Reconciliation of UK GAAP to preliminary IFRS income statement for the 6 months ended 30 June 2006

	UK GAAP (IFRS format) £'000	**IAS 12** *Deferred taxation on business combinations* £'000	**IAS 17** *Lease incentives* £'000	**IAS 19** *Holiday pay accrual* £'000	**IAS 38** *Intangible assets amortisation* £'000	**IAS39** *Interest receivable recognition* £'000	**IAS 39** *Interest hedging fair value* £'000	**IFRS 3** *Business combinations: reversal of goodwill amortisation* £'000	**IFRS 5** *Assets held for disposal* £'000	**Income statement after IFRS adjustments** £'000	*Change in accounting policy for stock (see accounting policies)* £'000	**Preliminary IFRS income statement** £'000
Continuing operations												
Revenue	14,478	-	-	-	-	(25)	-	-	-	14,453	-	14,453
Cost of sales	(3,717)	-	-	-	-	-	-	-	-	(3,717)	26	(3,691)
Gross profit	10,761	-	-	-	-	(25)	-	-	-	10,736	26	10,762
Administrative expenses	(9,800)	-	11	(199)	-	-	-	384	-	(9,604)	9	(9,595)
Operating profit	961	-	11	(199)	-	(25)	-	384	-	1,132	35	1,167
Investment revenues	11	-	-	-	-	-	-	-	-	11	-	11
Finance costs	(3,279)	-	-	-	-	-	229	-	-	(3,050)	-	(3,050)
(Loss) on ordinary activities before taxation	(2,307)	-	11	(199)	-	(25)	229	384	-	(1,907)	35	(1,872)
Tax on profit on ordinary activities	(8)	25	(3)	60	-	7	(69)	-	-	12	(11)	1
(Loss) for the financial period	**(2,315)**	**25**	**8**	**(139)**	**-**	**(18)**	**160**	**384**	**-**	**(1,895)**	**24**	**(1,871)**

H&T Group plc

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

	UK GAAP (IFRS format) £'000	**IAS 12** *Deferred taxation on business combinations* £'000	**IAS 17** *Lease incentives* £'000	**IAS 19** *Holiday pay accrual* £'000	**IAS 38** *Intangible assets amortisation* £'000	**IAS39** *Interest receivable recognition* £'000	**IAS 39** *Interest hedging fair value* £'000	**IFRS 3** *Business combination: reversal of goodwill amortisation* £'000	**IFRS 5** *Assets held for disposal* £'000	**Income statement after IFRS adjustments** £'000	*Change in accounting policy for stock (see accounting policies)* £'000	**Preliminary IFRS income statement** £'000
Continuing operations												
Revenue	32,130	-	-	-	-	(15)	-	-	-	32,115	-	32,115
Cost of sales	(8,454)	-	-	-	-	-	-	-	-	(8,454)	(166)	(8,620)
Gross profit	23,676	-	-	-	-	(15)	-	-	-	23,661	(166)	23,495
Administrative expenses	(18,343)	-	15	-	(9)	-	-	779	-	(17,558)	203	(17,355)
Operating profit	5,333	-	15	-	(9)	(15)	-	779	-	6,103	37	6,140
Investment revenues	27	-	-	-	-	-	-	-	-	27	-	27
Other gains and losses	46	-	-	-	-	-	-	-	-	46	-	46
Finance costs	(4,737)	-	-	-	-	-	561	-	-	(4,176)	-	(4,176)
Profit on ordinary activities before taxation	669	-	15	-	(9)	(15)	561	779	-	2,000	37	2,037
Tax on profit on ordinary activities	(903)	48	(5)	-	-	4	(168)	-	-	(1,024)	(11)	(1,035)
(Loss)/profit for the financial year	**(234)**	**48**	**10**	**-**	**(9)**	**(11)**	**393**	**779**	**-**	**976**	**26**	**1,002**

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF H&T GROUP PLC ON THE PRELIMINARY OPENING IFRS BALANCE SHEET

We have audited the preliminary opening IFRS balance sheet of H&T Group plc as at 1 January 2006 and the related accounting policy note.

This report is made solely to the Board of Directors, in accordance with our engagement letter engagement dated 12 July 2007 and solely for the purpose of assisting with the transition to IFRS. Our audit work will be undertaken so that we might state to the Company's board of directors 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 will not accept or assume responsibility to anyone other than the Company for our audit work, for our report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Company's directors are responsible for ensuring that the Company and the Group maintains proper accounting records and for the preparation of the preliminary opening IFRS balance sheet on the basis set out in the accounting policies, which describes how IFRS will be applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the company prepares its first complete set of IFRS financial statements as at December 31, 2007. Our responsibility is to audit the preliminary comparative financial information in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing and report to you our opinion as to whether the preliminary opening IFRS balance sheet is prepared, in all material respects, on the basis set out in the accounting policies note.

We read the other information presented with the preliminary opening IFRS balance sheet as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the preliminary opening IFRS balance sheet.

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 preliminary opening IFRS balance sheet. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the preliminary opening IFRS balance sheet and of whether the accounting policies are appropriate to the circumstances of the Group, 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 opening IFRS balance sheet is 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 preliminary opening IFRS balance sheet.

Without qualifying our opinion, we draw attention to the fact that the accounting policy note explains why there is a possibility that the accompanying preliminary opening IFRS balance sheet may require adjustment before constituting the final opening IFRS balance sheet. Moreover, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the company's financial position, results of operations and cash flows in accordance with IFRSs.

Opinion

In our opinion the preliminary opening IFRS balance sheet is prepared, in all material respects, on the basis set out in the accounting policies note which describes how IFRS will be applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the company prepares its first complete set of IFRS financial statements as at December 31, 2007.

Deloitte & Touche LLP

Chartered Accountants
Crawley, United Kingdom

31 July 2007

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF H&T GROUP PLC ON THE PRELIMINARY COMPARATIVE IFRS FINANCIAL INFORMATION

We have audited the accompanying preliminary comparative IFRS financial information of H&T Group plc for the year ended 31 December 2006 which comprises the opening consolidated IFRS balance sheet as at 1 January 2006, the consolidated IFRS balance sheet as 31 December 2006 and the consolidated IFRS income statement for the year ended 31 December 2006, together with the related accounting policy note.

This report is made solely to the Board of Directors, in accordance with our engagement letter dated 12 July 2007 and solely for the purpose of assisting with the transition to IFRS. Our audit work has been undertaken so that we might state to the Company's board of directors 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 will not accept or assume responsibility to anyone other than the Company for our audit work, for our report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Company's directors are responsible for ensuring that the Company and the Group maintains proper accounting records and for the preparation of the preliminary comparative IFRS financial information on the basis set out in the accounting policies, which describes how IFRS will be applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Group prepares its first complete set of IFRS financial statements as at December 31, 2007. Our responsibility is to audit the preliminary comparative financial information in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and report to you our opinion as to whether the preliminary comparative IFRS financial information is prepared, in all material respects, on the basis set out in the accounting policies.

We read the other information contained in the preliminary comparative IFRS financial information for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the preliminary comparative IFRS financial information.

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 preliminary comparative IFRS financial information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the preliminary comparative IFRS financial information and of whether the accounting policies are appropriate to the circumstances of the Group, 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 preliminary comparative IFRS financial information is 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 preliminary comparative IFRS financial information.

Without qualifying our opinion, we draw attention to the fact that the basis of preparation in the accounting policies section explains why there is a possibility that the accompanying preliminary comparative IFRS comparative financial information may require adjustment before constituting the final comparative IFRS financial information. Moreover, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Company's and Group's financial position, results of operations and cash flows in accordance with IFRSs.

Opinion

In our opinion the preliminary comparative IFRS financial information is prepared, in all material respects, on the basis set out in the basis of preparation in the accounting polices section which describes how IFRS will be applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Company prepares its first complete set of IFRS financial statements as at 31 December 2007.

Deloitte & Touche LLP

Chartered Accountants
Crawley, United Kingdom

31 July 2007

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF H&T GROUP PLC ON THE PRELIMINARY COMPARATIVE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2006

We have reviewed the accompanying preliminary International Financial Reporting Standards (IFRS) consolidated financial information of H&T Group plc ("the Company") and its subsidiaries (together, "the Group") for the six months ended 30 June 2006 which comprises the consolidated IFRS income statement, the consolidated IFRS balance sheet and the accompanying accounting policies (hereinafter referred to as "preliminary financial information").

This preliminary financial information is the responsibility of the Company's directors. It has been prepared as part of the Company's conversion to IFRS in accordance with the basis set out in the accounting policies section which describes how IFRSs have been applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Company prepares its first complete set of IFRS financial statements as at 31 December 2007. Our responsibility is to express an opinion on this preliminary IFRS comparative financial information based on our review.

Our review report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Review work performed

We conducted our review in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the preliminary financial information and underlying financial data and, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the preliminary financial information.

Emphasis of matter

Without modifying our review conclusion, we draw attention to the fact that the accounting policies explain why there is a possibility that the accompanying preliminary financial information may require adjustment before constituting the final IFRS comparative information for the six months ended 30 June 2006. Moreover, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising an income statement, balance sheet, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRSs.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the preliminary financial information for the six months ended 30 June 2006 which has been prepared in accordance with the basis set out in the accounting policies.

Deloitte & Touche LLP
Chartered Accountants
Crawley, United Kingdom
31 July 2007