

# H&T Group plc

## Preliminary results For the year ended 31 December 2008

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 2008.

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

*"We are pleased to report another very good year for H&T Group. Our net revenues increased by 29 per cent. and our profit before taxation and exceptional items was up 52 per cent. reaching £10.9 million. A final dividend of 4.5p is proposed taking the full year dividend to 6.5p, a 30 per cent. increase on 2007.*

*Pawnbroking is not a cyclical business. This strong performance was lead partly by the increase in the gold price but mostly by the successful implementation of our strategy.*

*Additionally, the 46 new stores opened or acquired during the past four years offer the Group good profit prospects.*

*I have every reason to look to continued growth with confidence. "*

### Financial highlights

£m unless stated	2008	2007	Change %
Gross profit	£35.7	£27.7	+28.9
Earnings before Interest, Tax, Depreciation, Amortisation ("EBITDA") before exceptional items (note 7)	£15.8	£11.4	+38.6
Operating profit before exceptional items	£14.1	£10.0	+41.0
Profit before tax	£10.1	£7.4	+36.5
Profit before tax and exceptional items	£10.9	£7.2	+52.0
Basic EPS excluding exceptional items	21.97p	14.72p	+49.3
Basic EPS	20.27p	15.17p	+33.6
Pledge book	£32.0	£27.8	+15.1
Proposed final dividend	4.5p	3.4p	+32.4

### Operational highlights

- Double digit gross profit growth across key segments (pawnbroking, retail, scrap and cheque cashing)
- 10.7 per cent. like-for-like increase in retail turnover despite difficult high street conditions
- Scrap margins increased to 32.8 per cent. (2007: 22.5 percent.) benefiting from the prevailing price level of gold (£1.8 million contribution)
- The Group opened its 100<sup>th</sup> store during the year
- The national footprint reached 105 stores at 31 December 2008 (2007: 89) with 16 new stores opened during 2008 (2007: 12)

# **H&T Group plc**

## **Preliminary results**

### **For the year ended 31 December 2008**

#### **Enquiries:**

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# H&T Group plc

## Chairman's Statement

The directors and I are very pleased with H&T's performance in 2008. It was another year of record financial results with profit before tax and exceptional items reaching £10.9 million (2007: £7.2 million). We opened 16 new stores in the year (2007: 12), including our 100<sup>th</sup> store in Stockton, and had 105 stores trading at 31 December 2008 (2007: 89).

### Financial Performance

H&T exceeded internal financial targets set by the Board for the Group at the beginning of the year and, in the process, achieved record gross profit and earnings per share.

Gross profit increased by 28.9 per cent. to £35.7 million (2007: £27.7 million) driven by new stores, like-for-like growth and continued rise in the gold price (contributing an estimated £1.8 million additional profit when compared with FY07). Earnings Before Interest Taxation Depreciation and Amortisation ("EBITDA") before exceptional items increased by 38.6 per cent. to £15.8 million (2007: £11.4 million). Operating profit before exceptional items increased by 41.0 per cent. to £14.1 million (2007: £10.0 million).

Basic earnings per share was up from 15.17 pence in 2007 to 20.27 pence in 2008.

Net cash generated by our operating activities increased by £1.5 million to £4.1 million (2007: £2.6 million) and the Group has bank funding in place to May 2011.

### Final Dividend

Subject to shareholder approval, a final dividend of 4.5 pence per ordinary share (2007: 3.4 pence) up 32 per cent. on 2007 will be paid on 3 June 2009 to shareholders on the register at the close of business on 8 May 2009. The shares will be marked ex-dividend on 6 May 2009. This will bring the full year dividend to 6.5 pence per share, a 30 per cent. increase on 2007 (5.0 pence).

The growth in dividend reflects the good performance of the Group in 2008 and the Board's confidence in future prospects.

### Prospects

We do not consider Pawnbroking to be a cyclical business. We are benefiting from the price of gold in our disposition activities and, unlike other lending businesses, pawnbroking has resilient collateral. The Group has so far seen an increase in the number of new pawnbroking customers in line with historical trends and the expansion in our store estate. Our strong financial performance is the result of a successful growth strategy which we intend to continue in 2009.

I would like to thank all our staff for their hard work and contribution to these excellent results. I also extend my personal thanks to Laurent Genthialon, our Finance Director, who will be leaving H&T at the end of March 2009 to return to continental Europe, and welcome Alex Maby, his successor.

**Peter D McNamara**

**Chairman**

# H&T Group plc

## Chief Executive's Review

### Introduction

H&T's clear growth strategy has delivered another strong financial and operational performance, with record profits and a record number of new stores. This growth was achieved despite the negative economic climate impacting the UK and world economy.

Once again we have achieved double digit growth in gross profit in our major business segments.

Pawnbroking activities, comprising Pawn Service Charge and Disposition, represented 89 per cent. (2007: 87 per cent.) of total 2008 gross profits and grew 32 per cent. year-on-year. The demand for all these products was strong and the business benefited from the price of gold. At the same time financial services activities, comprising Cheque Cashing and Other Financial Services, grew 12 per cent. year-on-year and represented 11 per cent. (2007: 13 per cent.) of total 2008 gross profits. The performance of the financial services products was mixed with the overall gross profit growth primarily delivered by the Pay Day Advance product.

H&T remains the UK's leading pawnbroker by size of pledge book and at 31 December 2008 had 105 outlets across the UK. The estate increased by 16 store openings (2007: 12) during 2008. Of those, 12 (2007: five) were greenfield stores and four (2007: seven) were acquired branches. Further progress was made on the new greenfield store layout which has contributed to EBITDA profitability on average now being achieved in the first year of a greenfield site trading. The Group has opened or acquired 46 stores (44 per cent. of the total estate) over the last four years.

The continuing growth we derive from our established and greenfield stores has led to record profits. Operating profit before exceptional items reached £14.1 million (2007: £10.0 million), a 41 per cent. increase on 2007 and 76 per cent. increase on 2006.

### Review of Operations

#### Pawn Service Charge

H&T has been the largest pawnbroker in the UK by size of pledge book for many years and at 31 December 2008 had a pledge book of £32.0 million (2007: £27.8 million). The increase in pledge book translated to a 15.2 per cent. increase in Pawn Service Charge. The pledge book generated £19.7 million of gross profit directly through the Pawn Service Charge and £11.9 million indirectly through the disposition process. Pawnbroking is, and will remain H&T's core business. To date there has been no tangible evidence to prove that an economic recession would be beneficial to pawnbroking. We believe that the increase in new customers arises from:

- The increased number of outlets;
- The high street location and modern lay out of our stores;
- The simplicity of the product in terms of pricing and security; and
- The quality of our customer service which leads to high levels of customer retention and repeat business.

# H&T Group plc

## Chief Executive's Review

### Disposition

The sale of forfeited items to the general public ("Retail") is the most important element of Disposition, generating higher margins when compared with scrap or auction. 2008 proved a difficult year for the high-street retail environment with many retailers, including jewellers, reporting negative like-for-like results for the year, further highlighted by trading deterioration during the last quarter of 2008. Despite this challenging environment, I am delighted to report that we achieved retail turnover growth of 32.5 per cent. (10.7 per cent turnover growth on a like-for-like basis) and maintained our retail gross margin at 49 per cent.

This strong performance in retail is a result of different factors:

- Continued investment in staff training;
- Investment in new retail displays and windows; and
- Introduction of some new jewellery ranges supplementing the existing second hand product range.

Scrap represents an increasingly important element of disposition. Scrap profit in 2008 reached £4.8 million (2007: £1.5 million). This £3.3 million increase can be analysed into two parts:

- The increase in the price of gold contributing £1.8 million. The gold price in Sterling terms continued to rise throughout 2008 mostly as a result of the strengthening of the US Dollar currency; and
- The higher scrap volume contributing £1.5 million driven mostly by the success of gold and jewellery purchasing.

The Board announced in the 2008 interim report its intention to hedge some of its exposure to gold price movement in order to protect its current scrap margin. With the continued rise in the gold price, the Board has decided to put its hedging strategy on hold.

Total disposition gross profit increased to £11.9 million (2007: £6.9 million).

### Other Financial Services

#### Cheque Cashing (comprising Third Party Cheque Cashing and Pay Day Advance)

During 2008, Third Party Cheque Cashing turnover declined by 1.1 per cent. due to deteriorating market conditions and increasing competition. We expect this downwards trend to continue during 2009 and it may worsen in line with the general economy.

Pay Day Advance continues to provide excellent growth. Due to the expanding loan book and the current economic climate, we experienced a small increase in the percentage of bad debt. The Group has in place a number of controls and indicators to monitor the bad debt for these products and the collection of arrears to mitigate this risk. H&T also caps the weekly amount of new Pay Day Advance business written in order to manage the profile of the Pay Day Advance product growth. During 2009, H&T will continue to invest in new systems to enhance product underwriting and collection of arrears.

The revenues net of bad debt and provisions from Third Party Cheque Cashing and Pay Day Advance increased to £3.8 million (2007: £3.4 million).

# H&T Group plc

## Chief Executive's Review

### KwikLoan

In view of the worsening economic and credit climate, the Group decided, at the beginning of 2008, to adopt a cautious approach as regards to signing up new KwikLoan customers. As a result the KwikLoan loan book decreased from £0.5 million to £0.4 million during the year while KwikLoan gross profit was flat year-on-year.

### Point of sale development

We look to invest in new technology in order to improve operational efficiency, enhance management information and risk management systems, and simplify store operations to enable us to achieve the full potential of the existing product range and implement new products more easily.

In 2006 we commenced the development of our new point of sale system and expected to implement the solution in the summer of 2007. Due to the delays and inability by the third party software developers to complete the application, the contract was terminated in December 2008. The intangible asset was written off resulting in a £0.8 million exceptional loss.

In view of the repeated delays in the overall project, the Board determined in early 2008 that a contingency plan was required in the event that the project failed. This has proved to be the right decision since the development work on this alternative has been progressing rapidly and will be undergoing user acceptance testing in the first half of 2009 with a planned deployment shortly thereafter. This software is considered to carry lower risks than the initial point of sale development project as it is built on current proven systems which were originally implemented in January 2006 in our cheque cashing business. This system can also be deployed in stages, thus reducing risks and costs.

The overall project including the new point of sale system is still planned to complete within the original £1.8 million budget. This budget includes new hardware which has mostly been acquired at the balance sheet date.

### Business Overview and Strategy

#### 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 Group plc

## Chief Executive's Review

H&T's strategy at IPO was originally to add 30 stores 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 2008, H&T added 16 outlets (2007: 12) to the store portfolio - twelve greenfield and four acquisitions. This brings the total number of new stores to 36 since IPO, seven stores ahead of the original three-year plan.

Our greenfield stores are performing well and have on average exceeded our expectations in terms of pledge book growth and profitability. While new stores used to be loss-making at EBITDA level in their first full year of trading, we are pleased to report that our new stores are now on average breaking even in their first year of trading. This has been achieved through improved store layouts, the introduction of gold purchasing and the quality and enthusiasm of our staff. 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.

The Group is also actively pursuing acquisitions to accelerate the consolidation of the industry. In 2007 the Group issued 3.6 million shares to raise additional capital of £7 million, of which £3.4 million remained at the 31 December 2007. The Group spent £1.6 million during 2008 on acquisitions and has deployed the remaining capital in greenfield stores.

### **2. Develop and establish new products and services**

During 2007 we introduced the purchase of gold and jewellery into all of our stores. This strategy proved very successful as evidenced by the sharp increase in scrap profit. Although this may be reducing the pledge book as customers who would previously pledge now sell, it allows a more efficient use of capital. More importantly this service also allows for much simpler communication to new customers whose conversion into regular pawnbroking customers will be a focus in 2009.

Due to H&T's success with stores focusing primarily on pawnbroking and jewellery, the Board decided to end the Get>Go trial and rebranded the two trial stores as "H&T Pawnbrokers". The Group anticipates that the turnover from the current Get>Go financial services offered should remain unchanged and the stores profitability is expected to increase, driven by the development of pawnbroking and the introduction of jewellery retail.

#### **Review of the Pawnbroking Market**

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.

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.

# **H&T Group plc**

## **Chief Executive's Review**

### **Current Trading and Outlook**

The directors remain cautious about the current uncertain economic climate though the Board does not see the overall business as cyclical. Since the beginning of 2009, trading has been positive, in part benefiting from the gold price level. We will continue to build on H&T's proven business model and strategy to deliver revenue growth through 2009 and beyond.

I would like to thank, on behalf of the Board, all our people whose skills, commitment and enthusiasm continue to drive our success and give us confidence in our future.

**John G Nichols**

**Chief Executive**

# H&T Group plc

## Finance Director's Review

### Turnover and gross profit

Turnover in 2008 amounted to £52.9 million compared with £38.4 million in 2007. Total gross profit in 2008 increased by 28.9 per cent. to £35.7 million (2007: £27.7 million) driven by the strong turnover growth (increase of 36.2 per cent.) across the Pawnbroking, Retail and Scrap business segments.

### Other direct and Administrative expenses

The Group's combined Other direct and Administrative expenses before exceptional items in 2008 were £21.6 million compared with £17.7 million in 2007. This 22.0 per cent. increase in expenses was primarily driven by the addition of sixteen additional stores, the full year impact of the twelve stores opened in 2007 and the overall increase in business volumes.

### Operating profit

During 2008, EBITDA before exceptional items increased by 38.6 per cent. to £15.8 million (2007: £11.4 million). The Group recorded a 41.0 per cent. increase in operating profit before exceptional items reporting £14.1 million in 2008 compared with £10.0 million in the previous year. Exceptional expenses in 2008 of £0.8 million relate to the write off of the bespoke point of sale system. After taking account of the exceptional items, operating profit was £13.3 million in 2008 compared with £10.0 million in 2007.

### Finance costs and similar charges

Finance costs decreased marginally by £0.1 million from £2.7 million in 2007 to £2.6 million in 2008. Included in the finance costs is a £0.6 million loss in the movement in fair value of interest rate swap reflecting the sharp drop in the LIBOR rate. This economic hedge (which is not accounted for as a hedge under IAS 39) will terminate in June 2009 and the Group anticipates that a new economic hedge will be taken out.

### Profit before taxation

Profit before taxation and exceptional items increased by £3.7 million from £7.2 million in 2007 to 10.9 million in 2008. The 2007 result was enhanced by an exceptional profit consisting of £0.2 million profit relating to the disposal of a freehold property while the 2008 result was impacted by the £0.8 million exceptional loss referred to previously. As a result, the Group recorded a record profit before taxation of £10.1 million in 2008 compared with a profit before taxation of £7.4 million in 2007.

### Taxation

The effective corporation tax rate excluding exceptional items was 29 per cent. for the year (31 per cent. in 2007). The decrease reflects the fall in the UK corporation tax rate to 28% from 1 April 2008, and the overall effective tax rate is close to the blended 2008 tax rate of 28.5 per cent for the year.

# H&T Group plc

## Finance Director's Review

### Earnings per share

Basic earnings per share for 2008 was 20.27 pence compared with 15.17 pence in 2007. Diluted earnings per share for 2008 was 20.26 pence compared with 15.14 pence in 2007. After adjusting for exceptional items referred to in the Profit before taxation section, adjusted basic earnings per share increased by 49.3 per cent. from 14.72 pence in 2007 to 21.97 pence in 2008.

### Dividend

The Board has recommended a final dividend of 4.5 pence per share (2007: 3.4 pence) bringing the 2008 full year dividend to 6.5 pence (2007: 5.0 pence).

### Cash flow and investments

The Group generated cash from operations before interest payments and taxation of £8.6 million in 2008 (2007: £6.3 million). This result was impacted by the increase in receivables (£4.9 million) driven by the growth in the pledge book and loan portfolio, the increase in inventories (£3.7 million) required to support the larger retail offering, offset by a £1.2 million increase in payables. During 2008 the Group invested £1.6 million (2007: £3.6 million) in the acquisition of the trade and assets of four pawnbrokers.

Capital expenditure during the year was £3.3 million (2007: £1.9 million) of which most of the £3.1 million related to the 12 new greenfield stores opened during the year and the estate refurbishment program. £0.4 million was also invested in the new EPOS software reported in intangible assets and subsequently impaired.

### Debt structure

The Group repaid £2.0 million of facility A debt in 2008 (2007: £1.5 million) while drawing down £5.0 million from other banking facilities. Net debt (before unamortised debt issue costs) was £34.4million at 31 December 2008 compared with £32.2 million at 31 December 2007. 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. H&T's current debt facilities extend to May 2011 and the Group remains compliant with all its banking covenants. In 2008, H&T's EBITDA to interest ratio (interest cover) was 6.7x (2007: 4.6x).

### 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 21.7 per cent. in 2007 to 26.3 per cent. in 2008.

# **H&T Group plc**

## **Finance Director's Review**

### **Going Concern**

The directors have formed the view that the Group has adequate resources to continue as a going concern for the foreseeable future and has prepared the preliminary financial information on this basis.

**Laurent P Genthialon**

**Finance Director**

# H&T Group plc

## Consolidated income statement Year ended 31 December 2008

	Note	Before exceptional items £'000	Exceptional Items £'000	2008 Total £'000	Before exceptional items £'000	Exceptional Items £'000	2007 Total £'000
Revenue	2	52,868	-	52,868	38,363	-	38,363
Cost of sales		(17,129)	-	(17,129)	(10,699)	-	(10,699)
<b>Gross profit</b>	2	35,739	-	35,739	27,664	-	27,664
Other direct expenses		(15,862)	-	(15,862)	(12,844)	-	(12,844)
Administrative expenses		(5,771)	(832)	(6,603)	(4,836)	-	(4,836)
<b>Operating profit</b>		14,106	(832)	13,274	9,984	-	9,984
Investment revenues		45	-	45	35	-	35
Other gains		-	-	-	-	201	201
Finance costs	3	(2,603)	-	(2,603)	(2,706)	-	(2,706)
Movement in fair value of interest rate swaps		(647)	-	(647)	(151)	-	(151)
<b>Profit before taxation</b>		10,901	(832)	10,069	7,162	201	7,363
Tax (charge)/credit on profit	4	(3,185)	233	(2,952)	(2,232)	(52)	(2,284)
<b>Profit for the financial year</b>		7,716	(599)	7,117	4,930	149	5,079

	Note	2008 Pence	2007 Pence
<b>Earnings per share</b>			
From continuing operations			
Basic	5	20.27	15.17
Diluted	5	20.26	15.14

All results derive from continuing operations.

# H&T Group plc

## Consolidated balance sheet At 31 December 2008

	2008 £'000	2007 £'000
<b>Non-current assets</b>		
Goodwill	16,806	16,415
Other intangible assets	1,171	1,480
Property, plant and equipment	7,824	6,093
Deferred tax assets	195	-
	<u>25,996</u>	<u>23,988</u>
<b>Current assets</b>		
Inventories	10,730	6,720
Trade and other receivables	41,540	36,105
Cash and cash equivalents	2,744	1,966
	<u>55,014</u>	<u>44,791</u>
<b>Total assets</b>	<u>81,010</u>	<u>68,779</u>
<b>Current liabilities</b>		
Trade and other payables	(5,324)	(3,322)
Current tax liabilities	(2,542)	(1,193)
Borrowings	(1,777)	(1,766)
Derivative financial instruments	(665)	(18)
	<u>(10,308)</u>	<u>(6,299)</u>
<b>Net current assets</b>	<u>44,707</u>	<u>38,492</u>
<b>Non-current liabilities</b>		
Borrowings	(34,879)	(31,651)
Deferred tax liabilities	-	(365)
Provisions	(75)	(119)
	<u>(34,954)</u>	<u>(32,135)</u>
<b>Total liabilities</b>	<u>(45,262)</u>	<u>(38,434)</u>
<b>Net assets</b>	<u>35,748</u>	<u>30,345</u>
<b>Equity</b>		
Share capital	1,767	1,754
Share premium account	23,996	23,994
Employee Benefit Trust shares reserve	(13)	-
Retained earnings	9,998	4,597
<b>Total equity</b>	<u>35,748</u>	<u>30,345</u>

# H&T Group plc

## Consolidated statement of changes in equity Year ended 31 December 2008

	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
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 1 January 2008	1,754	23,994	-	4,597	30,345
Profit for the financial year	-	-	-	7,117	7,117
Total income for the financial year	-	-	-	7,117	7,117
Issue of share capital	13	2	-	-	15
Share option credit taken directly to equity	-	-	-	178	178
Dividends paid	-	-	-	(1,894)	(1,894)
Employee benefit trust shares	-	-	(13)	-	(13)
At 31 December 2008	1,767	23,996	(13)	9,998	35,748

# H&T Group plc

## Consolidated cash flow statement Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Net cash from operating activities</b>	6	4,087	2,647
<b>Investing activities</b>			
Interest received		45	35
Proceeds on disposal of property, plant and equipment		-	267
Purchases of property, plant and equipment		(2,828)	(2,155)
Purchases of intangible assets		(53)	(242)
Acquisition of trade and assets of businesses		(1,586)	(3,550)
<b>Net cash used in investing activities</b>		(4,422)	(5,645)
<b>Financing activities</b>			
Dividends paid		(1,894)	(1,507)
Net increase/(repayment) of borrowings		3,005	(2,700)
Proceeds on issue of shares		15	7,344
Share issue expenses		-	(281)
Loan to the Employee Benefit Trust for acquisition of own shares		(13)	-
<b>Net cash from financing activities</b>		1,113	2,856
<b>Net increase/(decrease) in cash and cash equivalents</b>	6	778	(142)
<b>Cash and cash equivalents at beginning of the year</b>		1,966	2,108
<b>Cash and cash equivalents at end of the year</b>		2,744	1,966

# H&T Group plc

## Notes to the preliminary announcement Year ended 31 December 2008

### 1. Finance information and basis of preparation

The financial information has been abridged from the audited financial statements for the year ended 31 December 2008.

The financial information set out in this document does not constitute the company's statutory accounts for the year ended 31 December 2008, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under 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, precious metals 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 2006 (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 the majority of the 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 purchased from third parties by the Group.

#### 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.

# H&T Group plc

## Notes to the preliminary announcement Year ended 31 December 2008

### 2. Business and geographical statements (continued)

#### 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. The Group 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. The Group earns approximately £300 gross interest on a £500 loan over 12 months.
- The Prepaid debit card product where the Group earns a commission when selling the card or when the customer is topping up their card.
- The foreign exchange currency (Euro and US Dollar) service where the Group earns a commission when selling or buying foreign currencies. This service is currently on trial in a limited number of stores.
- The LogBook Loan product where the Group earns a commission when referring a customer to a third party providing loans secured on personal vehicles. This service is currently on trial in a limited number of stores.

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 2008

### 2. Business and geographical segments (continued)

Segment information about these businesses is presented below:

	Pawnbroking 2008 £'000	Retail 2008 £'000	Scrap 2008 £'000	Cheque cashing 2008 £'000	Other financial services 2008 £'000	Consolidated Year ended 2008 £'000
<b>2008 Revenue</b>						
External sales	19,720	14,604	14,493	3,826	225	52,868
Total revenue	19,720	14,604	14,493	3,826	225	52,868
<b>Segment result – gross result</b>	19,720	7,208	4,760	3,826	225	35,739

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 2008

### 2. Business and geographical segments (continued)

	Pawn- broking 2008 £'000	Retail 2008 £'000	Scrap 2008 £'000	Cheque cashing 2008 £'000	Other financial services 2008 £'000	Unallocated assets/ (liabilities) 2008 £'000	Consolidated Year ended 2008 £'000
<b>Other information</b>							
Capital additions (*)	-	-	-	-	-	4,436	4,436
Depreciation and amortisation (*)	-	-	-	-	-	1,645	1,645
Impairment losses recognised in income	74	-	-	2,511	562	832	3,979
<b>Balance sheet</b>							
<b>Assets</b>							
Segment assets	36,999	10,730	795	2,642	474	-	51,640
Unallocated corporate assets	<hr/>					29,370	29,370
Consolidated total assets						<hr/>	81,010
<b>Liabilities</b>							
Segment liabilities	-	(216)	-	(94)	(51)	-	(361)
Unallocated corporate liabilities	<hr/>					(44,901)	(44,901)
Consolidated total liabilities						<hr/>	(45,262)

(\*) See below

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## Notes to the preliminary announcement Year ended 31 December 2008

### 2. Business and geographical segments (continued)

	Pawnbroking 2007 £'000	Retail 2007 £'000	Scrap 2007 £'000	Cheque cashing 2007 £'000	Other financial services 2007 £'000	Consolidated Year ended 2007 £'000
<b>2007 Revenue</b>						
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
<b>Segment result – gross profit</b>	17,122	5,443	1,484	3,356	259	27,664

	Pawn- broking 2007 £'000	Retail 2007 £'000	Scrap 2007 £'000	Cheque cashing 2007 £'000	Other financial services 2007 £'000	Unallocated assets/ (liabilities) 2007 £'000	Consolidated Year ended 2007 £'000
<b>Other information</b>							
Capital additions (*)	-	-	-	-	-	1,154	4,278
Depreciation and amortisation (*)	-	-	-	-	-	1,367	1,367
Impairment losses recognised in income	80	-	-	1,637	799	-	2,516
<b>Balance sheet</b>							
<b>Assets</b>							
Segment assets	32,283	6,182	537	2,089	531	-	41,622
Unallocated corporate assets						27,157	27,157
Consolidated total assets							68,779
<b>Liabilities</b>							
Segment liabilities	-	(149)	-	(58)	(95)	-	(302)
Unallocated corporate liabilities						(38,132)	(38,132)
Consolidated total liabilities							(38,434)

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

# H&T Group plc

## Notes to the preliminary announcement Year ended 31 December 2008

### 2. Business and geographical segments (continued)

#### Geographical segments

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

### 3. Finance costs

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank loans	2,338	2,451
Other interest	31	11
	<hr/>	
Total interest expense	2,369	2,462
	<hr/>	
Amortisation of loan issue costs	234	244
	<hr/>	
	2,603	2,706
	<hr/> <hr/>	

# H&T Group plc

## Notes to the preliminary announcement Year ended 31 December 2008

### 4. Tax charge/(credit) on profit

#### a) Tax on profit on ordinary activities

	Before Exceptional items £'000	Exceptional items £'000	2008 Total £'000	Before Exceptional items £'000	Exceptional items £'000	2007 Total £'000
<b>Current tax</b>						
United Kingdom corporation tax charge/(credit) at 28.5% (2007 – 30%) based on the profit for the year	3,513	(50)	3,463	2,329	-	2,329
Adjustments in respect of prior years	49	-	49	(2)	-	(2)
<b>Total current tax</b>	<b>3,562</b>	<b>(50)</b>	<b>3,512</b>	<b>2,327</b>	<b>-</b>	<b>2,327</b>
<b>Deferred tax</b>						
Timing differences, origination and reversal	(343)	(183)	(526)	(136)	52	(84)
Effect of change in tax rate	-	-	-	(26)	-	(26)
Adjustments in respect of prior years	(34)	-	(34)	67	-	67
<b>Total deferred tax</b>	<b>(377)</b>	<b>(183)</b>	<b>(560)</b>	<b>(95)</b>	<b>52</b>	<b>(43)</b>
<b>Tax charge/(credit) on profit</b>	<b>3,185</b>	<b>(233)</b>	<b>2,952</b>	<b>2,232</b>	<b>52</b>	<b>2,284</b>

# H&T Group plc

## Notes to the preliminary announcement Year ended 31 December 2008

### 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 a blended (\*) standard rate of corporation tax in the UK of 28.5% (2007 - 30%). The differences are explained below:

	Before Exceptional items £'000	Exceptional items £'000	2008 Total £'000	Before Exceptional items £'000	Exceptional items £'000	2007 Total £'000
Profit before taxation	10,901	(832)	10,069	7,162	201	7,363
Tax charge/(credit) on profit at standard rate	3,107	(237)	2,870	2,149	60	2,209
Effects of:						
Disallowed expenses and non-taxable income	67	-	67	44	(8)	36
Change in tax rate	-	-	-	(26)	-	(26)
Adjustments to tax charge	(4)	4	-	-	-	-
Adjustments to tax charge in respect of previous periods	15	-	15	65	-	65
<b>Total actual amount of current tax charge</b>	<b>3,185</b>	<b>(233)</b>	<b>2,952</b>	<b>2,232</b>	<b>52</b>	<b>2,284</b>

(\*)From April 2008, the standard rate of corporation tax in the UK decreased from 30% to 28%. As a result, the blended standard rate for the year to 31 December 2008 is 28.5%.

# H&T Group plc

## Notes to the preliminary announcement Year ended 31 December 2008

### 5. Earnings per share

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

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

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. The only 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 2008			Year ended 31 December 2007		
	Earnings	Weighted average number of shares	Per-share amount pence	Earnings	Weighted average number of shares	Per-share amount pence
	£'000			£'000		
<b>Earnings per share basic</b>	7,117	35,113,078	20.27	5,079	33,487,898	15.17
<b>Effect of dilutive securities</b>						
Options and conditional shares	-	8,997	(0.01)	-	64,573	(0.03)
<b>Earnings per share diluted</b>	7,117	35,122,075	20.26	5,079	33,552,471	15.14
<b>Earnings per share - basic</b>	7,117	35,113,078	20.27	5,079	33,487,898	15.17
Point of sale software written off	832	-	2.36	-	-	-
Fixed assets disposal	-	-	-	(201)	-	(0.60)
Tax adjustment	(233)	-	(0.66)	52	-	0.15
<b>Adjusted earnings per share - basic</b>	7,716	35,113,078	21.97	4,930	33,487,898	14.72
<b>Effect of dilutive securities</b>						
Options and conditional shares	-	8,997	-	-	64,573	(0.03)
<b>Adjusted earnings per share - diluted</b>	7,716	35,122,075	21.97	4,930	33,552,471	14.69

# H&T Group plc

## Notes to the preliminary announcement Year ended 31 December 2008

### 6. Notes to the cash flow statement

	2008 £'000	2007 £'000
Profit for the financial year	7,117	5,079
Adjustments for:		
Investment revenues	(45)	(35)
Other gains and losses	-	(201)
Finance costs	2,603	2,706
Movement in fair value of interest rate swap	647	151
Movement in provisions	(44)	119
Income tax expense	2,952	2,284
Depreciation of property, plant and equipment	1,486	1,260
Amortisation of intangible assets	159	107
Share-based payment expense	178	105
Loss/(profit) on disposal of fixed assets	113	(8)
Loss on disposal/write off of intangible assets	845	-
Operating cash flows before movements in working capital	16,011	11,567
Increase in inventories	(3,708)	(2,073)
Increase in receivables	(4,892)	(3,203)
Increase in payables	1,208	39
Cash generated from operations	8,619	6,330
Income taxes paid	(2,163)	(1,221)
Interest paid	(2,369)	(2,462)
Net cash from operating activities	4,087	2,647

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.

# H&T Group plc

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

EBITDA is defined as Earnings Before Interest, Taxation, Depreciation and Amortisation. It is calculated by adding back depreciation and amortisation to the operating profit as follows:

	2008			2007		
	Before exceptional items £'000	Exceptional Items £'000	Total £'000	Before exceptional items £'000	Exceptional Items £'000	Total £'000
Operating profit	14,106	(832)	13,274	9,984	-	9,984
Depreciation and amortisation	1,645	-	1,645	1,368	-	1,368
<b>EBITDA</b>	15,751	(832)	14,919	11,352	-	11,352

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