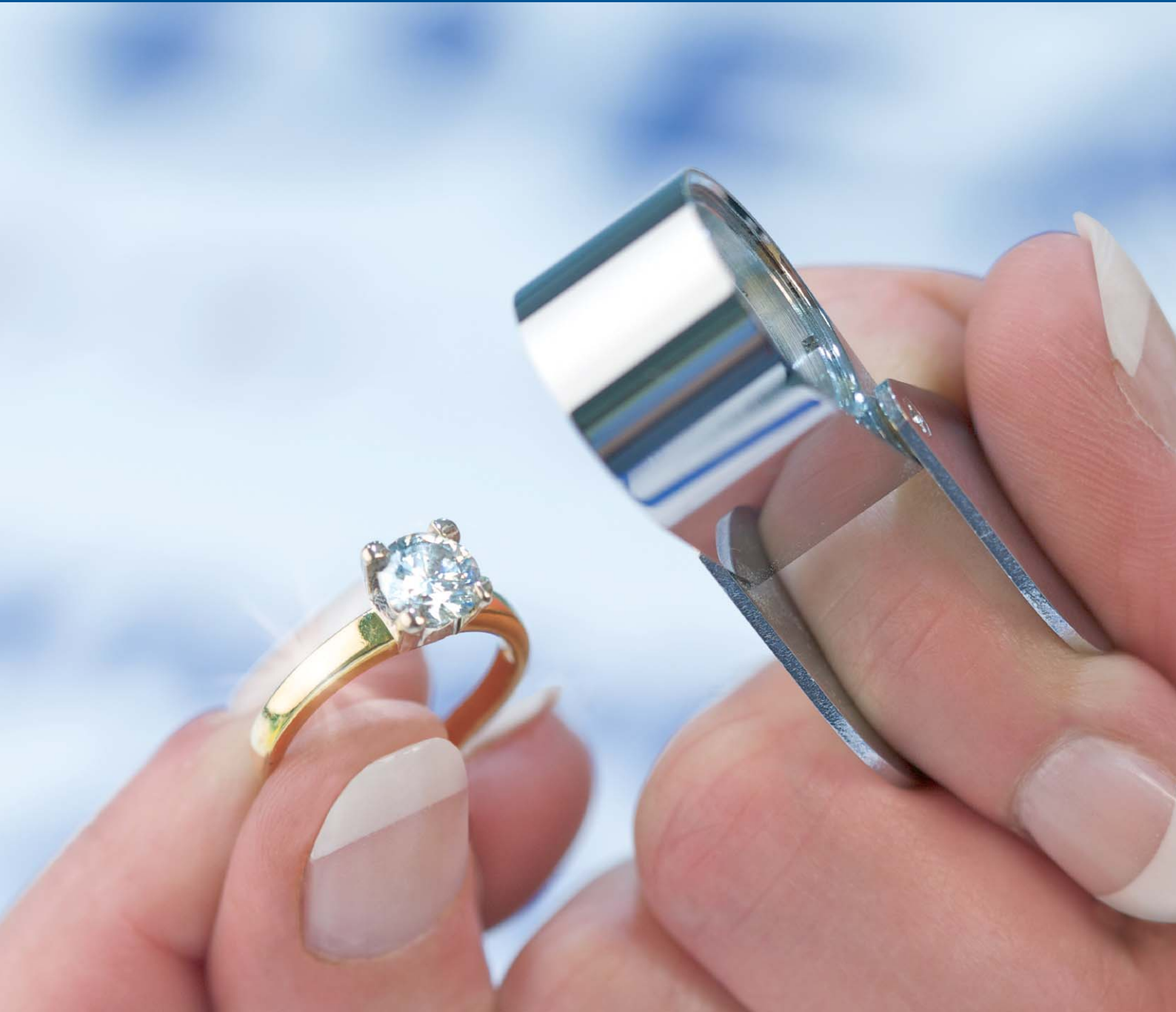


The UK's leading pawnbroker



Appreciating the value for over 100 years

H&T Group plc

Annual Report and Accounts 2008

Introduction to H&T

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

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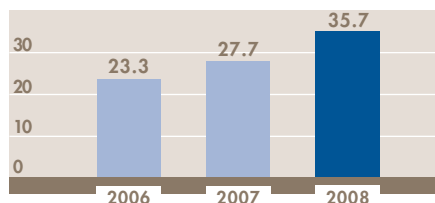
Cautionary statement

This annual report of H&T Group plc ("H&T Group", "the Group", "the Company") contains some forward-looking information and statements that involve known and unknown risks and uncertainties, including statements about the Group's plans, objectives and intentions. The information and statements contained herein are stated as at the date of this report and there exists the risk that actual results and outcomes may differ from the information and statements made.

Financial Highlights

Gross profit

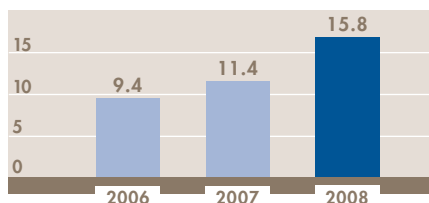
(£m)



+28.9% up to
£35.7m (2007: £27.7m)

EBITDA*

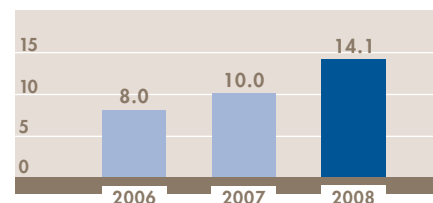
before exceptional items (£m)



+38.6% up to
£15.8m (2007: £11.4m)

Operating profit

before exceptional items (£m)

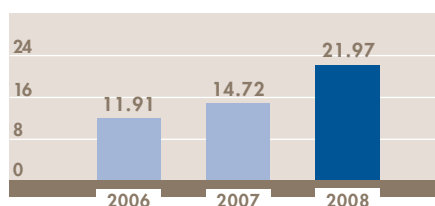


+41.0% up to
£14.1m (2007: £10.0m)

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

Basic EPS

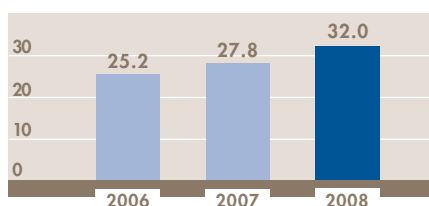
excluding exceptional items (p)



+49.3% up to
21.97p (2007: 14.72p)
Basic EPS was 20.27p (2007: 15.17p)

Pledge book

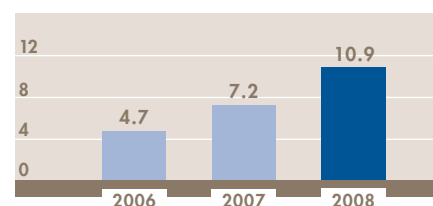
(£m)



+15.1% up to
£32.0m (2007: £27.8m)

Profit before tax

before exceptional items (£m)



+52.0% up to
£10.9m (2007: £7.2m)
Profit before tax was £10.1m (2007: £7.4m)

Proposed final dividend **+32.4%** up to 4.5p (2007: 3.4p)

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.) benefitting from the prevailing price level of gold (£1.8 million contribution)
- The Group opened its 100th 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)

Business at a glance

As at 31 December 2008 H&T was the largest pawnbroking business in the UK in terms of the size of the pledge book. As a business H&T has existed in some form since the late 1800's and over the years has built or acquired some of the oldest and largest pawnbrokers in the UK. Indeed the store in Edinburgh has operated from the same building for over 150 years serving the same community.

More recently H&T has accelerated its development by adding new products and services and expanding the store network. On 8 May 2006 H&T floated on the Alternative Investment Market ("AIM") providing the group with access to new sources of finance and allowing the provision of equity based incentivisation to employees. Since then, H&T has opened or acquired 36 stores.

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



Pawnbroking

A pawnbroking loan is secured on an item of value with a term of up to six months. H&T value the item(s) based on weight and the precious metal or stones used in its manufacture. The customer agrees on a loan amount and enters into a consumer credit agreement. The agreement is for a period of 6 months and the customer can redeem the

goods at any point during this time providing that they repay the original loan amount plus any interest due. At the end of the contract, they also have the option to extend the loan for a further six months. If the customer chooses not to redeem or renew the loan, H&T then take action to dispose of the goods.

Pay Day Advance

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

The customer then has the option to:

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

KwikLoan

Kwikloan is a simple way for customers to obtain an unsecured loan of up to £750 which is repaid over 12 months by direct debit. Before issuing a loan we establish the customer's identity, confirm their income and employment, and ensure that they manage their bank account in a reasonable way. If approved then the customer enters into a consumer credit

loan agreement and we will collect the repayments on the date agreed with the customer. This product provides a useful way for customers who are unable to repay a PDA in full to manage down their loan with us. Customers can have either a Kwikloan or a PDA, but not both at the same time.

Third Party Cheque Cashing

Third Party Cheque Cashing is a service that allows customers to get cash for their cheques in a few minutes, rather than banking the cheque. Most cheques are wages cheques, although other types such as personal, lottery, building society and Giro are considered. Customers use H&T to speed up the cheque

clearance (some building societies can take almost two weeks to clear a cheque) or to avoid banking the cheque into an overdrawn account. Customers are required to provide proof of identity and address in order to use the service.

Jewellery Retail

H&T offer a unique range of new and second-hand jewellery sourced from our pledge book, purchased over the counter or purchased from suppliers. The vast majority of items sold are from forfeited items and all are professionally cleaned and restored at the company's refurbishment centre in Kent. They are then

re-distributed for sale to stores across the country. H&T staff are able to use their extensive product knowledge to assist customers to choose individual pieces to suit their requirements, a skill which of course enables them to make the right loan in the first place.

Prepaid Debit Card

A pre-paid debit card is an ideal way for customers to have the functionality of a Mastercard without the associated credit, giving them the freedom to shop online, over the phone or in store. As there is no loan or credit involved the application process is simple

and the acceptance rate is 100%. Customers leave the store with an ATM only card and the personalised Mastercard arrives in the post shortly after. Cash can then be loaded to the card at over 14,000 locations across the UK, including any H&T store or Post Office branch.

What is Pawnbroking?

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

How does it work?

The customer brings in the item(s) of value to the store and is asked to give an indication of how much they want to borrow. This is done in order to establish how realistic the customer's expectation is, as the high margins charged by the high street jewellers can give an inflated perception of the value of the goods. The store staff then use a combination of their expertise and training, together with the point of sale system to determine if there is adequate security for the loan. Assuming that there is, the customer and H&T then enter into a credit agreement regulated by the Consumer Credit Act. This is a contract for 6 months and carries interest of 8% to 10% flat rate per month. The rate charged is dependent on local competition and the location of the store.

During the contract the customer can:

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

Approximately five months after the date of the loan we will write to the customer explaining that the contract is almost due and reminding them of the

final date to redeem. We write again once the contract is expired to give the customer one more chance to redeem or renew their pledge.

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

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

- **Over £75:** These pledges are sent to public auction with a reserve price. In the event that the pledge is sold then H&T retains the value of the loan, interest to date plus a small administration fee. Any surplus is repaid to the customer.
- **£75 and under:** These pledges become the property of H&T immediately; the rules relating to the surplus do not apply due to the lower value of the items concerned.

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

As Good as Gold

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

Valuations, how H&T manage the process

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



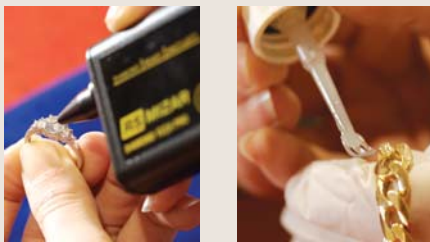
1

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



2

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



3

If we can meet the customer's expectations then the item is tested with a range of acids to determine the metal type and carat, while diamonds are verified using electronic testing equipment.



4

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

Our Customers

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

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

Use of Funds

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

The H&T Difference

H&T has a long established culture of customer service and our staff strive to help and empathise with our customers. It is common to hear first names being used in the stores and equally the customer to call our staff by their first name. This is not the result of scripts or training but rather an expectation that they are there to help the customer during what may

be a difficult time. The key to this relationship is the autonomy given to the store managers in their management of the customer relationship. This maintains the customer relationship and provides that flexibility and helpfulness that is so often missing from the rest of the high street.

December 2006 Research

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

* Source: Research by Precient, December 2006

"My girlfriend was made up with the money she got for her old earrings"

"Very polite service"

"I have been a customer here for 14 years now, and have always been satisfied"

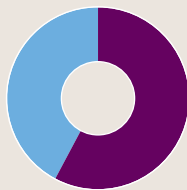
"The staff here are always welcoming and friendly"

"I've been coming here for years and have always left with a smile!"

"It's a friendly environment"

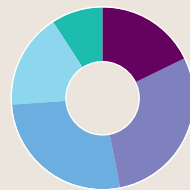
Customer quotes
January 2009

Gender



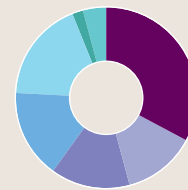
● Female 58%
● Male 42%

Age Split



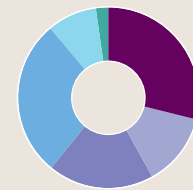
● 18-25: 18%
● 26-35: 29%
● 26-45: 27%
● 46-55: 17%
● 55+: 9%

Working Status**



● Full-time: 33%
● Part-time: 13%
● Retired: 14%
● Homemaker: 16%
● Not working: 18%
● Student: 2%
● Not stated: 4%

Household Income**



● £25,000 plus: 29%
● £20,001 - £24,999: 13%
● £15,001 - £20,000: 19%
● £5,000 - £15,000: 28%
● Under £5,000: 9%
● Undisclosed: 2%

Around 72% of respondents had a bank account**

Around 48% had a debit card**

Around 56% had access to the internet at home**

Around 28% had a credit card**

** Agreed to 2006 data from Precient

Our People

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

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

Training and Development

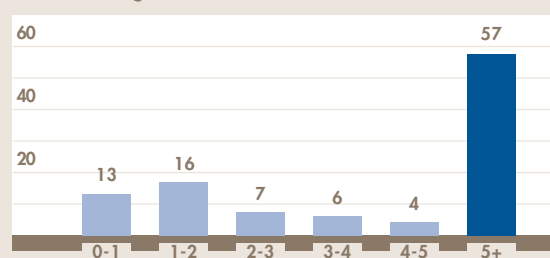
Our training process consists of internal training sessions, modular training in store and specialist external training. This layered approach ensures our new staff fully develop their skills in each product before moving on to the next module.

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



Tenure of Managers

No. of Managers



Top Team Award

H&T seek to recognise and reward exceptional performance within the business through incentives, bonuses and awards.

The most prestigious of those is the Top Team Award which measures success across all areas of the business. The winner for 2008 was UllusKumar Jani and the team of our Hounslow store.

"I joined H&T in 1999 as an assistant in Hounslow and then moved to other stores in London progressing through the ranks until I had my own store to run in 2003.

H&T really develops its people, providing us with the skills necessary to succeed.

I have been a finalist for the Top Team Award for the last three years and I am delighted to have won it this year. My team and I are really looking forward to cruising around the Mediterranean – it's a well-earned reward!"



John Nichols and UllusKumar Jani, winner of this year's Top Team Award

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 100th 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



Expansion in the store estate

H&T's overall growth strategy can be summarised as:

- Increase footprint through new build and acquisition
- Improve performance of existing products
- Develop and implement new products and services

The expansion in the estate is key to the long term growth of the business but at the same time actually reduces earnings at profit before tax level in the short term. The challenge for H&T is therefore to deliver growth from the core stores to enable this growth, whilst at the same time continually improving the early performance of new stores to reduce the profit lag.

New Store Profile

H&T's new store profile is quite different to a traditional retailer in that a new store will dilute profits and be capital intensive in the short term while the pledge book grows and the store establishes itself. Increasing profitability in the early years through maximising the income from other products is therefore a key challenge for the business.

The growth in profitability of the new stores continues for many years, indeed the stores over 10 years old still deliver a significant proportion of the Group's earnings growth.

Store Format

The store format has evolved over the last 10 years from a pure financial services model, with no retail, to a format that resembles a high street jeweller with a secure building society style counter to serve the financial services customers.

Where possible we now include open retail counters as part of the internal fit out together with a large jewellery display in the window. This provides us with an improved retail potential which enables us to increase the early performance of the new store.

The presence of retail in the stores also serves as a communication tool to the customer, clearly demonstrating those products on which we will lend money. Pawnbroking still has a stigma attached to it and some customers like the retail proposition as it provides another reason to be in the store. Many consumers also see pawnbrokers as a way to get a better deal on quality jewellery on the high street.

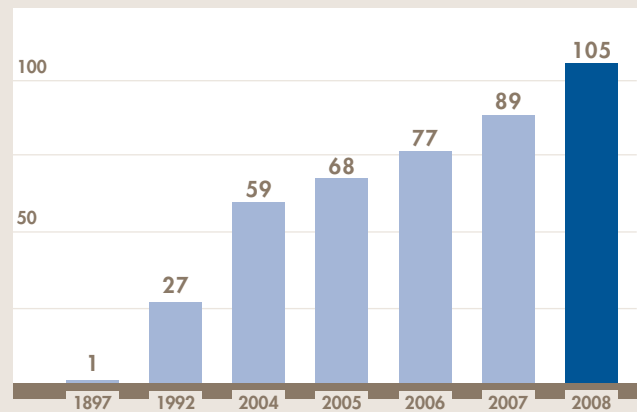
The developments in the store format have improved the first year performance from an average £40k EBITDA loss in Year 1 to break even. We intend to continue this process through further evolution in our staff development, store format and marketing communication.

Growth so far

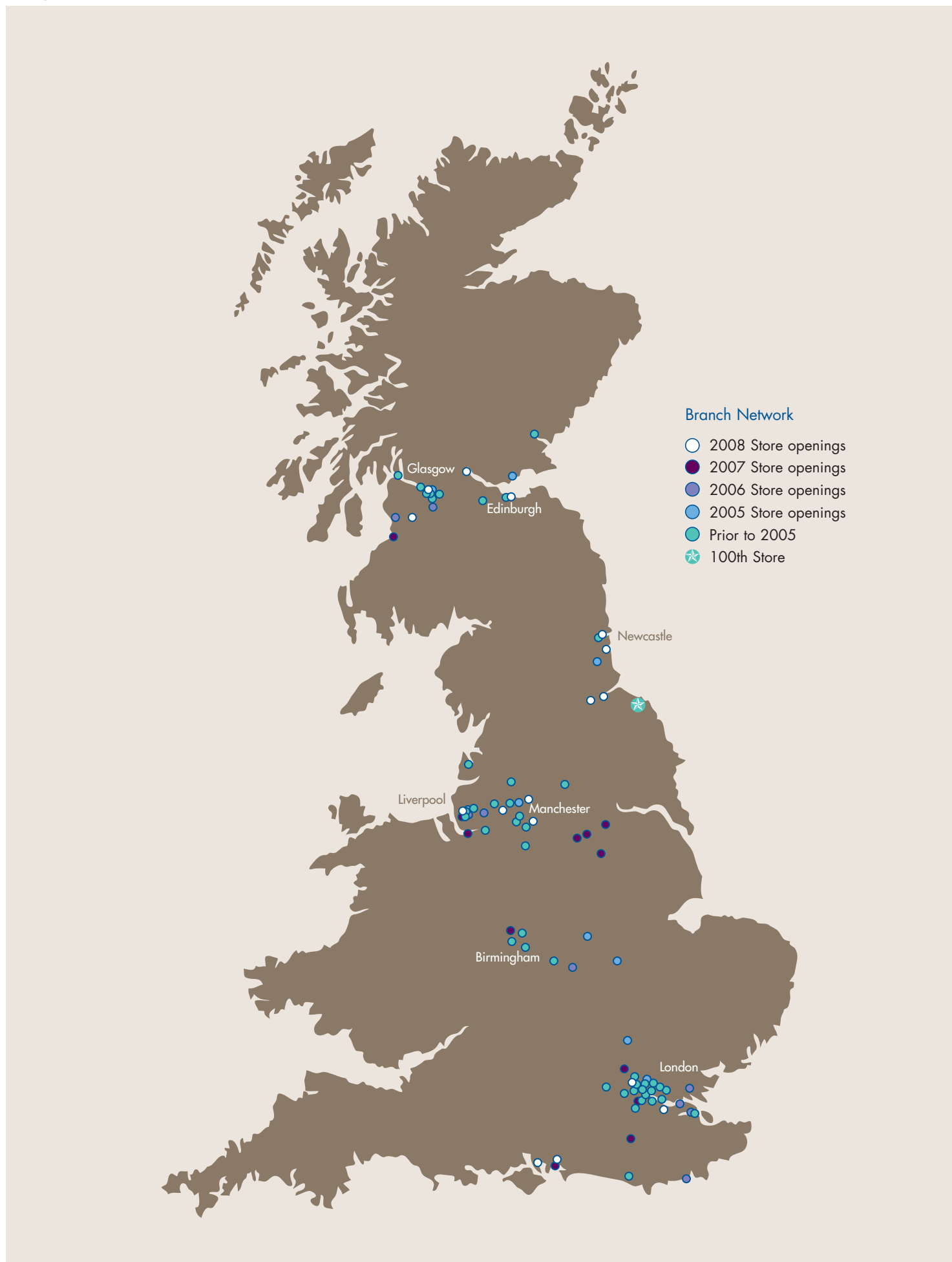
During the last four years H&T has almost doubled in size, entering a number of new markets nationally as well as consolidating our position in key areas. We believe that there is still significant potential in the UK and we are well placed to capitalise on it

Growth in the estate

Number of Stores



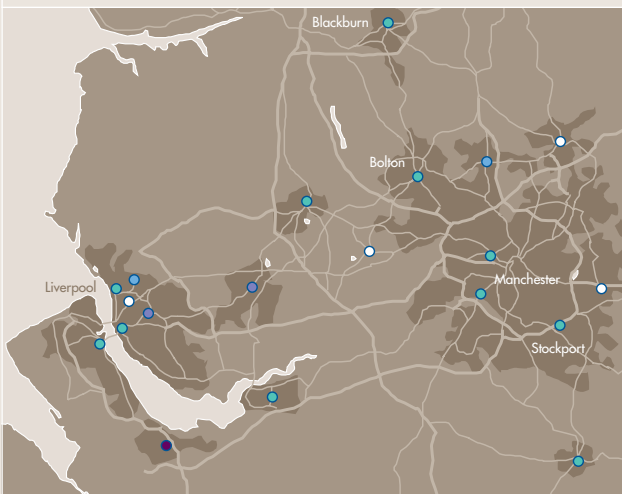
Expansion in the store estate



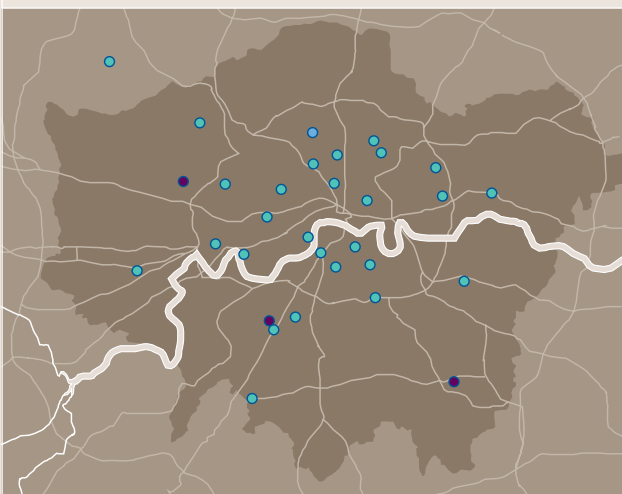
Glasgow



North West



London



H&T's 100th store opened in Stockton

H&T opened its 100th store in Stockton-on-Tees on 27th October 2008, which marked a real milestone for the company.

The Stockton store increases the company's presence in the North-East of England, where we now have seven stores. Pawnbroking in this area has been historically strong.

H&T traded from 105 outlets across the UK at the end of 2008, an increase of 16 from 2007.

The 100th store was opened by Operations Director Alan Lilley and Store Manager Margaret Watson, amidst a grand opening frenzy including champagne and refreshments for the customers, as well as a competition to win a diamond ring, which generated some positive local press coverage on the day.

Staff across all other branches also celebrated the opening with an internal competition.

With H&T now having a recognised presence on the High Street, this only adds to the fact that we continue to be the country's leading pawnbroker by size of pledge book.

Store staff have reacted well to the opening of the 100th store, as it makes them feel part of a larger, recognised company and brand.

Chief Executive's Review

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: 5) were greenfield stores and 4 (2007: 7) 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 based on the size of the pledge book for many years with a current pledge book of £32.0 million (2007: £27.8 million). This increase in the pledge book translated to a 15.2 per cent. increase in Pawn Service Charge. The pledge book generated £19.7 million of net revenues directly through the Pawn Service Charge and £11.9 million indirectly through the disposition process. Pawnbroking is and will remain the core of H&T's 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 arise 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;
- The quality of our customer service which leads to high levels of customer retention and repeat business.

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.

+15.2%

increase in pawn service charge gross profit

+71.7%

increase in gross profit from disposition

Pawn Service Charge

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

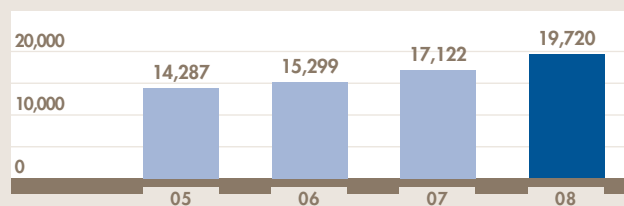
In 2008 PSC represented 55% of total net revenues (2007: 62%) and 62% of total pawnbroking income (2007: 71%). The reduction of PSC as a percentage of the total group net

revenues is due to the strong increase in disposition turnover and margin.

The average loan in 2008 was £125 (2007: £111) and the yield on the pledgebook was 65% (2007:66%). The increase in the average loan is partly driven by the increase in the gold price and the full effect of purchasing where loans with lower values used to be pawned.



Pawn Service Charge gross profit (£'000)



Disposition

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

Retail

The Company's retail proposition is primarily gold and jewellery and the large majority (90.4%) of retail sales are items sourced from pawnbroking or purchasing operations. We complement our retail offering with a small amount of new jewellery. The turnover of new jewellery increased sharply in 2008 with the introduction of some new ranges which have been attracting new retail customers.

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

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

The advantage of H&T over other retailers is that the cost of our supply is relatively low and we can scrap surplus items and still make a profit. This offsets the fact that we have little

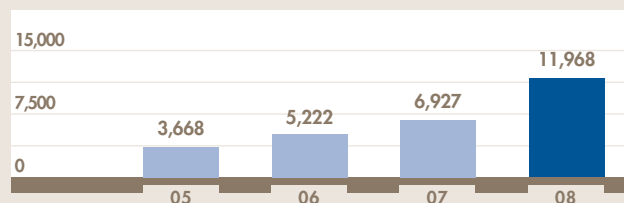
choice over our supply and therefore must retail what we have available to sell.

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

Scrap

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

Total disposition gross profit including scrap (£'000)



16 new outlets added to the store portfolio

11% of gross profit generated by Other Financial Services

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 £12.0 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).

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

+£0.4m

increase in net revenues from PDA and Cheque Cashing activities.

+£1.8m

additional scrap gross profit from the increase in the price of gold

Other Financial Services

Third Party Cheque Cashing

Third Party Cheque Cashing is the provision of cash in exchange for a cheque payable to our customer for a commission fee based on the face value of the cheque. The average cheque value in 2008 was £332 (2007: £355), with the average fee being £21 (6.4%) (2007: £23 (6.4%)).

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

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

Pay Day Advance

Pay Day Advance is a simple form of credit, where the advance is repaid by cheques presented by the customer at the point of the loan. The contract allows for 30 days credit and the average advance in 2008 was £458 (2007: £452), with a typical charge of 13% (2007: 13%) per 30 days.

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

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

KwikLoan

H&T identified the need for an unsecured loan product that had a longer duration than a Pay Day Advance. The principle is that some customers are unable to repay the lump

sum of a Pay Day Advance after 30 days and prefer a smaller regular repayment. The underwriting criteria are essentially the same as for a Pay Day Advance although we do more verification to ensure that the customer is likely to be a reasonable risk for the duration of the loan.

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

Prepaid Debit Card

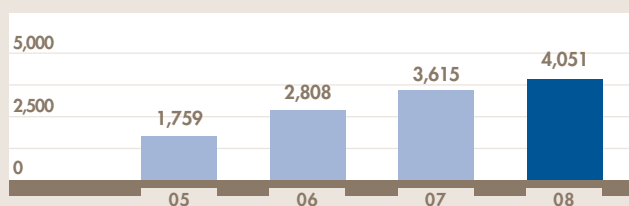
H&T offer a prepaid debit card on behalf of Advanced Payment Solutions (APS) under the CashPlus brand. The card is an instant issue Cirrus card (which allows ATM access immediately), with a personalised MasterCard issued to the customer in the post within 10 days. For further product information refer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

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

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

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

Total Other Financial Services gross profit (£'000)



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

Expand geographical footprint

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

H&T's strategy at IPO was 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.

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.

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

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 per cent 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.

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 on tangible fixed assets during the year was £3.3 million (2007: £1.9 million) £3.1 million of which related to the 12 new greenfield stores opened during the year and the estate refurbishment program. A further £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 £34.4 million 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.

Going concern

After careful consideration, I am pleased to report that our budget for FY09 and FY10 supports in all reasonable scenarios that the Group is a going concern. Further details of our assessment are included in the Corporate Governance section of this annual report.



Laurent P Genthialon
Finance Director

Directors, Officers and Advisers

THE DIRECTORS

John G Nichols (Chief Executive), 58

After an early career in the RAF, John entered the leisure industry with the Rank Organisation where he held several senior executive positions.

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

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

Laurent P Genthialon (Finance Director - Current), 37

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

Laurent joined H&T in May 2005, and since then, has completed a number of internal projects to restructure the financial reporting functions of the business and increase the operational efficiencies of the IT and finance functions. Laurent has informed the Board of his intention to resign on 20 March 2009. He will be replaced by Alex Maby.

Alex M Maby, (Finance Director - Successor), 35

Alex, a chartered accountant who trained with PricewaterhouseCoopers, previously worked at Macquarie's private equity division where he fulfilled a number of roles for various companies including chief financial officer and board director. Prior to this, he worked for Mapely Plc as head of financial engineering and ING Barings as an equity analyst. He joined H&T in early February 2009 and was appointed to the Board on 19 March 2009. He will become Finance Director upon Laurent's resignation on 20 March 2009.

Stephen A Fenerty (Commercial Director), 36

A Chartered Accountant who trained at KPMG, Stephen has pursued a variety of management roles in the alternative credit sector. Prior to joining H&T, Stephen worked for The Money

Shop (part of Dollar Financial, Inc.) where he was responsible for new product development introducing, amongst others, foreign exchange, unsecured loans and loans brokerage.

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

NON-EXECUTIVE DIRECTORS

Peter D McNamara, 58 (Chairman)

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

He is presently executive Chairman of Notemachine.

Andrew J Brown, 64

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

Malcolm L Berryman, 54

Malcolm is currently a Non-Executive Director at Lincoln Assurance and Scottish Friendly Assurance. He has recently been helping LECG advise the Policyholder Advocate on the Norwich Union reattribution and separately, he has been advisor to the Association of Mutual Insurers. Between 1990 and 2005, he was Chief Executive of two Insurers, Liverpool Victoria and Crown Financial Management. He qualified as an Actuary in 1983.

Registered and Head Office and Advisers

Registered and Head Office

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Broker

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Corporate Governance Report

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

DIRECTORS

The Board

The Board comprises three executive directors and three non-executive directors. Their biographies appear on page 18. A review of these shows a range of experience and expertise sufficient to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The three non-executive directors hold shares (as disclosed page 25). However, because the number of shares held is small and there are no cross directorships between executive and non-executive directors, the non-executive directors are considered to be independent. Laurent Genthialon has advised the Board of his decision to resign on 20 March 2009. He will be replaced by Alex Maby who was appointed to the Board on 19 March 2009.

Board meetings

The Board is responsible to the shareholders for the proper management of the Group. A statement of directors' responsibilities in respect of the financial statement is set out in this Annual Report on page 27.

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

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

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

The following committees deal with the specific aspects of the Group's affairs:

Remuneration Committee

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

- Peter D McNamara (Chairman)
- Malcolm L Berryman
- Andrew J Brown

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

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

The duties of the Committee are to:

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

The Committee is authorised by the Board to:

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

Audit Committee

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

- Andrew J Brown (Chairman) - Chartered Accountant
- Malcolm L Berryman
- Peter D McNamara

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

Nomination Committee

The Nomination Committee comprises three independent Non-Executive Directors of the Company. The members of the Committee are:

- Peter D McNamara (Chairman)
- Malcolm L Berryman
- Andrew J Brown

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. In carrying out its duties, the Nomination Committee is primarily responsible for:

- identifying and nominating candidates to fill Board vacancies;
- evaluating the structure and composition of the Board with regard to the balance of skills, knowledge and experience and making recommendations accordingly;
- reviewing the time requirements of Non-Executive Directors;
- giving full consideration to succession planning; and
- reviewing the leadership of the Group.

Internal control

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

Internal control: financial

The internal control process has been reviewed and its main features are:

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

Internal control: risk management

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

Relations with shareholders

The board recognises the importance of communications with shareholders. The Chief Executive's statement and the operational review on pages 12 to 16 include a detailed review of the business and future developments. There is a regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the year end results and at the half year results.

Going concern

The Group has continued to improve its financial performance on a year by year basis in line with the Group business plan, delivering £7.1m profit after tax and exceptional items for the year ended 31 December 2008 (year ended 31 December 2007: £5.1m), and operating cash inflows of £4.1m (year ended 31 December 2007: £2.6m). These cash flows have been sufficient to meet all debt repayments as they fall due and fund our acquisition and greenfield stores in the period. This is reflected in the strength of the Group balance sheet, ending as at 31 December 2008 with net assets of £35.7m (2007: £30.3m) and net current assets of £44.7m (2007: £38.5m).

The Group has prepared a detailed budget, approved by the Board of Directors, which indicates an improved performance for 2009 and 2010, with budgeted operating cash inflows, post tax and interest, of £5.0m. This anticipated performance reflects the fundamentals of our markets and products. We believe that pawnbroking is a non-cyclical business and therefore the current economic climate should have no significant negative impact to our business model. The Group offering is principally through secured lending against pledges. The Group policies on pawn lending remain rigorous and prudent, such that the Group has very limited exposure to loss in the event of customers not redeeming their pledges, due to the value of the pledge collateral held, principally being gold and precious stones. These commodities have exhibited increasing values in the current environment, and the Group has no reason to believe that the value will not be maintained in the foreseeable future. Further details are provided in note 28.

The Group has a 96% debt to equity ratio which reflects the current Board strategy for the financing of operations. The Group policy and annual review of what the Group manages as capital, and the optimisation of the debt to equity ratio is discussed in further detail in note 29. The bank funding loans are provided under agreements with renewal dates in 2011 and the Group has complied with all covenants in the period and to the date of this report. Additionally, future compliance with covenants and debt repayments have been considered in our detailed budget, and in all reasonably probable scenarios, we are able to meet the conditions in the loan agreements. Accordingly, the Board is satisfied that the existence and level of Group debt does not cause concern for the on-going going concern assessment of the Group.

Based on the above considerations and after reviewing in detail our FY 2009/10 forecasts, 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 financial statements on this basis. Principal risks and uncertainties to the Group's business are discussed in more detail in the Directors' Report.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities and review of the business

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

A review of the business and its future development (including the information that fulfils the relevant requirements of section 234ZZB of the Companies Act 1985) is given in the Chairman's Statement, Chief Executive's Review and Finance Director's Review on pages 8 to 17.

Principal risks and uncertainties

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

Area	Description of risk	Examples of mitigating activities
Pawnbroking	Loss of customers with a high level of repeat transactions	Maintenance of a high level of customer service
	Potential changes in regulatory environment	Continual monitoring and lobbying
	Fall in the gold price affecting scrap margin	Possible use of hedging instruments
	Decline in retail sales	Excess stock scrapped at a high margin
	Fall in pawnbroking redemption	Increase in disposition through retail, auction and scrap activities
	Prolonged economic recession	Continual monitoring by the board Use of stress testing forecasting
	Increasing competition	Continual monitoring at store level Expansion strategy to maintain H & T's position as one of the industry key players
Cash, pledge book and retail inventory	Physical security of all assets	High level of investment in security systems
	Insufficient pledge securities	Staff training and pledge tests Monitoring of established lending criteria Internal audit function
Cheque cashing and unsecured lending	Significant worsening of bad debts	Investment in IT systems Staff training Continual monitoring of bad debts and lending criteria Internal audit function
	Decline in third party cheque encashment business	On-going reduction in overall business mix and replacement by new services and products
Business operations	Back office and communication systems failure	Established IT disaster recovery plan
	Ageing EPOS software	Development of a new EPOS system

Principal risks and uncertainties (continued)

Area	Description of risk	Examples of mitigating activities
People	Succession planning, retention and capability	High investment in on-going training Performance related pay package Share-based incentive plans
	Increase in stress level	Management awareness Adequate HR policy
Financing	Potential increase in cost of financing due to borrowings being on a floating rate	Use of hedging instruments (interest rate swap)
	Bank funding is subject to strict financial covenants	Regular forecasting exercise and regular communication with the financing bank
	Financing bank going bankrupt	Review of existing financing facilities and possible use of syndicated banking

Results and financial position

The Group results for the financial year, set out on page 29 and the financial position as at 31 December 2008 set out on page 31, are commented upon in the Finance Director's Review on page 17.

Dividends

The directors propose a final dividend of 4.5p (2007: 3.4p) per share subject to approval at the Annual General Meeting on 13 May 2009. This proposed dividend, in accordance with IAS 10 'Events after the balance sheet date' for the Group, and, FRS 21 'Events after the balance sheet date' for the Company, has not been provided for in the attached financial statements. During the year, the Company paid the final dividend for the year ended 31 December 2007 of 3.4p per share and an interim dividend for the year ended 31 December 2008 of 2.0p per share (2007: 1.6 p per share).

Financial risk management objectives and policies

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

A summary of the principal financial risks is provided below. Further detailed discussion is provided in note 28 to the consolidated financial statements.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses an interest rate swap contract to hedge this exposure on £35,000,000 (2007: £35,000,000) of the Group bank loans. The Group has limited exposure to fluctuations in foreign currency exchange rates as the Group's activities are wholly conducted in Great Britain and foreign exchange only affects the gold price exchange from USD to GBP.

Credit risk

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

The risk attributable to the pledge book is low due to the presence of collaterals (the customer's pledges) which can be easily liquidated in almost all cases at a profit.

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

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

The credit risk on liquid funds and derivative financial instruments is considered to be low as funds are held with financial institutions with high credit-ratings assigned by international credit-rating agencies to the Group's bankers as shown below:

Moody's credit rating

Barclays Bank plc	A1
The Royal Bank of Scotland plc	A1

The Group has no significant concentration of credit risk (other than on bank balances of £1,076,000 with Barclays Bank plc (2007: £628,000) and £493,000 (2007: £380,000) with Royal Bank of Scotland plc). Exposure on trade and other receivables is spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. At 31 December 2008 the Group had sufficient headroom on its current borrowings and is in full compliance with all loan covenants.

Furthermore, the Company will review at the appropriate time, the possibility of raising future equity finance or refinancing existing banking facilities to expand activities.

Price risk

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

Capital structure

Details of the authorised share capital are shown in note 29 to the consolidated financial statements. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. As disclosed in note 29, during the period 253,484 new ordinary shares (2007: 3,600,000) of £0.05 each were issued, called up and fully paid.

As a result of the above transaction the nominal issued share capital has increased from £1,754,285 as at 31 December 2007 to £1,766,960 as at 31 December 2008.

On 19 March 2008, the company has been notified of the following voting rights by major shareholders of the Company:

Name of holder	Percentage of voting rights and issued share capital
Morley Fund Management	8.80%
UBS Global Asset Management	7.98%
BlackRock Investment Management	8.18%
Rensburg Sheppards Investment Management	4.95%
Directors	5.57%
Baillie Gifford	5.50%
Fidelity Investments	4.96%
Henderson Global Investors	4.69%
Jupiter Asset Management	4.43%
Gartmore Investment Management	3.48%

Details of employee share schemes are set out in note 30. Under these share schemes, there are currently a potential 1,297,842 number of shares that will be issued to current option holders at the call of the option holder. Under its Articles of Association, the Company has authority to allot

under these share schemes, for cash, up to a maximum of 2,098,500 ordinary shares without being required to offer such securities to all shareholders in accordance with statutory pre-emption rights.

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

There are no other potentially dilutive equity instruments in the Company in issue at 31 December 2008 or 31 December 2007.

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

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

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore the directors are not aware of any agreements between the Company, or any other group company, and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Directors and their interests

The directors who served throughout the year, and to the date of this report, except where otherwise noted, were as follows:

Executive

J G Nichols
 L P Genthialon
 S A Fenerty
 A Maby (appointed 19 March 2009)

Non-Executive

P D McNamara
 A J Brown
 M L Berryman (appointed 1 October 2008)
 P J Middleton (resigned 30 September 2008)

As at the date of the report, L P Genthialon is the Group and Company Finance Director. L P Genthialon has notified the Company of his intention to resign as Group and Company Finance Director effective from 20 March 2009, when he will be replaced in this role by A Maby.

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

Director	Type of share	At 1 January 2008	Acquired in the year	Disposed of in the year	At 31 December 2008
J G Nichols	Ordinary 5p shares	1,000,000	25,000	-	1,025,000
L P Genthialon	Ordinary 5p shares	600,000	-	-	600,000
S A Fenerty	Ordinary 5p shares	300,000	-	-	300,000
P D McNamara	Ordinary 5p shares	12,000	5,351	-	17,351
A J Brown	Ordinary 5p shares	25,000	-	-	25,000
M L Berryman	Ordinary 5p shares	-	-	-	-

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

	At start of year No.	Granted during the year No.	Exercised during year No.	At end of year No.	Exercise price pence	Market price on date exercised pence	Date from which exercisable	Expiry date
J G Nichols								
- 2006 Schemes	87,397	-	-	87,397	182.5p	-	8/9/2009	7/9/2016
- 2007 Schemes	78,390	-	-	78,390	217.5p	-	17/5/2010	16/5/2017
- 2008 Schemes	-	92,293	-	92,293	175.5p	-	15/5/2011	14/5/2018
	165,787	92,293	-	258,080				
L P Genthialon								
- 2006 Schemes	63,287	-	-	63,287	182.5p	-	8/9/2009	7/9/2016
- 2007 Schemes	55,632	-	-	55,632	217.5p	-	17/5/2010	16/5/2017
- 2008 Schemes	-	70,370	-	70,370	175.5p	-	15/5/2011	14/5/2018
	118,919	70,370	-	189,289				
S Fenerty								
- 2006 Schemes	51,233	-	-	51,233	182.5p	-	8/9/2009	7/9/2016
- 2007 Schemes	45,517	-	-	45,517	217.5p	-	17/5/2010	16/5/2017
- 2008 Schemes	-	59,544	-	59,544	175.5p	-	15/5/2011	14/5/2018
	96,750	59,544	-	156,294				

The following directors have also a beneficial interest in conditional shares granted over H & T Group plc ordinary shares as part of the Long Term Incentive Plan:

	At start of year No.	Granted during the year No.	Exercised during year No.	At end of year No.	Exercise price pence	Date when conditional grant is achievable
J G Nichols						
- 2008 LTIP	-	109,813	-	109,813	-	7/11/2011
	-	109,813	-	109,813		
L P Genthialon						
- 2008 LTIP	-	77,966	-	77,966	-	7/11/2011
	-	77,966	-	77,966		
S Fenerty						
- 2008 LTIP	-	64,406	-	64,406	-	7/11/2011
	-	64,406	-	64,406		

No options have been exercised by any of the directors in the year.

At 31 December 2008, the market price of the Company's shares was 162.5p and the range during the year ended 31 December 2008 was 147.5p – 204.5p.

None of the directors hold any interests in the shares of any other company within the H & T Group plc Group.

At the forthcoming annual general meeting of the Company, the following directors will by rotation be offering themselves for re-election.

P D McNamara
M Berryman
A J Brown
A Maby

Directors' indemnities

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

Personnel

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

Harvey & Thompson Limited maintains a policy of equal opportunities and is committed to ensuring that all individuals are treated fairly, with respect and are valued.

All employees are incentivised through different bonus schemes. Store managers and management also qualify for the approved share option scheme (CSOP) while directors and senior management also qualify for the unapproved share option scheme (USOP). The executive directors also qualify for the Long Term Incentive Plan (LTIP). Further details on share option plans is provided in note 30.

Employee consultation

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

Employment of the disabled

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

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 31 December 2008 were equivalent to 28 (2007 - 29) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

During the year the Company and Group did not make any charitable donations (2007 - £nil) nor any political contributions (2007 - £nil).

Independent auditors and statement of provision of information to the independent auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP.

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

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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



J G Nichols
Chief Executive
19 March 2009

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and The AIM Rules.

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

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

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

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

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

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

Independent auditors' report on the group financial statements to the members of H & T Group plc

We have audited the Group financial statements of H & T Group plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 36. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of H & T Group plc for the year ended 31 December 2008.

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

Respective responsibilities of directors and auditors

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

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

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

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

We read the other information contained in the Annual report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of

any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual report.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the Group financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
Crawley, United Kingdom
19 March 2009

Note: The maintenance and integrity of H&T Group plc's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ in other jurisdictions.

Consolidated Income Statement

For the year ended 31 December 2008

	Note	Before exceptional items £'000	Exceptional Items (note 14) £'000	2008 Total £'000	Before exceptional items £'000	Exceptional Items (note 14) £'000	2007 Total £'000
Revenue	5,6	52,868	–	52,868	38,363	–	38,363
Cost of sales		(17,129)	–	(17,129)	(10,699)	–	(10,699)
Gross profit	6	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)
Operating profit	7	14,106	(832)	13,274	9,984	–	9,984
Investment revenues	5,10	45	–	45	35	–	35
Other gains	11	–	–	–	–	201	201
Finance costs	12	(2,603)	–	(2,603)	(2,706)	–	(2,706)
Movement in fair value of interest rate swaps	25	(647)	–	(647)	(151)	–	(151)
Profit before taxation		10,901	(832)	10,069	7,162	201	7,363
Tax (charge)/credit on profit	13	(3,185)	233	(2,952)	(2,232)	(52)	(2,284)
Profit for the financial year		7,716	(599)	7,117	4,930	149	5,079

	Note	2008 Pence	2007 Pence
Earnings per share			
From continuing operations			
Basic	15	20.27	15.17
Diluted	15	20.26	15.14

All results derive from continuing operations.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Note	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	30	–	–	–	105	105
Dividends paid	16	–	–	–	(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	29	13	2	–	–	15
Share option credit taken directly to equity	30	–	–	–	178	178
Dividends paid	16	–	–	–	(1,894)	(1,894)
Employee Benefit Trust shares	29	–	–	(13)	–	(13)
At 31 December 2008		1,767	23,996	(13)	9,998	35,748

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 £'000	2007 £'000
Non-current assets			
Goodwill	17	16,806	16,415
Other intangible assets	18	1,171	1,480
Property, plant and equipment	19	7,824	6,093
Deferred tax assets	26	195	–
		25,996	23,988
Current assets			
Inventories	21	10,730	6,720
Trade and other receivables	22	41,540	36,105
Cash and cash equivalents	22	2,744	1,966
		55,014	44,791
Total assets		81,010	68,779
Current liabilities			
Trade and other payables	23	(5,324)	(3,322)
Current tax liabilities	23	(2,542)	(1,193)
Borrowings	24	(1,777)	(1,766)
Derivative financial instruments	25	(665)	(18)
		(10,308)	(6,299)
Net current assets		44,707	38,492
Non-current liabilities			
Borrowings	24	(34,879)	(31,651)
Deferred tax liabilities	26	–	(365)
Provisions	27	(75)	(119)
		(34,954)	(32,135)
Total liabilities		(45,262)	(38,434)
Net assets		35,748	30,345
Equity			
Share capital	29	1,767	1,754
Share premium account		23,996	23,994
Employee Benefit Trust shares reserve	29	(13)	–
Retained earnings		9,998	4,597
Total equity		35,748	30,345

These financial statements were approved by the Board of Directors and authorised for issue on 19 March 2009.
They were signed on its behalf:



J G Nichols
Chief Executive

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Net cash from operating activities	33	4,087	2,647
Investing activities			
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	31	(1,586)	(3,550)
Net cash used in investing activities		(4,422)	(5,645)
Financing activities			
Dividends paid	16	(1,894)	(1,507)
Net increase/(repayment) of borrowings		3,005	(2,700)
Proceeds on issue of shares	29	15	7,344
Share issue expenses	29	–	(281)
Loan to the Employee Benefit Trust for acquisition of own shares	29	(13)	–
Net cash from financing activities		1,113	2,856
Net increase/(decrease) in cash and cash equivalents		778	(142)
Cash and cash equivalents at beginning of the year		1,966	2,108
Cash and cash equivalents at end of the year		2,744	1,966

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. General information

H & T Group plc is a company incorporated in the United Kingdom under the Companies Acts. The address of the registered office is given on page 18. The nature of the Group's operations and its principal activities are set out in note 6 and in the Chairman's Statement, Chief Executive Officer's Review, the Finance Director's Review and the Directors' Report.

2. Changes in accounting policies

Standards and interpretation in issue but not yet effective

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

IFRS 2	(Amended 2008)	Share-based Payment - Amendment relating to vesting conditions and cancellations
IFRS 3	(Revised 2008)	Business Combinations - Comprehensive revision on applying the acquisition method
IFRS 5	(Amended 2008)	Non-current Assets held for Sale on Discontinued Operations
IFRS 8		Operating Segments
IAS 1	(Revised 2007, Amended 2008)	Presentation of Financial Statements
IAS 16	(Amended 2008)	Property, Plant and equipment
IAS 19	(Amended 2008)	Employee Benefits
IAS 27	(Amended 2008)	Consolidated and Separate Financial Statements
IAS 32	(Amended 2008)	Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation
IAS 36	(Amended 2008)	Impairment of Assets
IAS 38	(Amended 2008)	Intangible Assets
IAS 39	(Amended 2008)	Financial Instruments: Recognition and Measurement
IAS 40	(Amended 2008)	Investment Property
IFRIC 17		Distributions of Non-cash Assets to Owners
IFRIC 18		Transfers of Assets from Customers

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

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and therefore the Group financial statements comply with The AIM Rules.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and on a going concern basis as discussed in the Finance Director's Report and the Corporate Governance section of the annual report.

The principal accounting policies adopted are set out below.

Basis of consolidation

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

3. Significant accounting policies (continued)

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.

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGU') expected to benefit from the synergies of the combination. CGU's 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 CGU 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 CGU 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, or CGU represented by a store, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment annually as described above.

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", being principally computer software assets.

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

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

Property, plant and equipment

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

Depreciation

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

<i>Short leasehold premises</i> - Leasehold improvements	Shorter of 7 years or life of lease
<i>Motor vehicles</i>	4 years
<i>Computer equipment</i> - Computer hardware	3 to 5 years
<i>Fixtures and fittings</i>	10 years

3. Significant accounting policies (continued)

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in the income statement as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) 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 (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Non-current assets held for sale

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

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

Inventories

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

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

Financial instruments

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

Financial assets

In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement' financial assets are classified into the following specified categories:

- financial assets 'at fair value through profit or loss' (FVTPL);
- 'held-to-maturity' investments;
- 'available-for-sale' (AFS) financial assets; and
- 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently the Group has financial assets classified as 'loans and receivables' and financial assets at 'fair value through profit and loss'. No financial assets are classified as 'held to maturity' or 'available-for-sale'.

3. Significant accounting policies (continued)

Financial instruments (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

The principal financial assets included in this measurement category are:

Trade receivables

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

Cash and cash equivalents

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

Financial assets at FVTPL

Financial assets are classified as FVTPL where the financial asset is either held for trading or it is designated as FVTPL. The Group has not designated any financial assets as being FVTPL and accordingly only holds financial instruments in this category that are deemed to be held for trading under the provisions of IAS 39.

With respect to the Group, all financial assets that are held for trading are derivative instruments that are not designated and effective as hedging instruments (see the derivative accounting policy below).

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 28.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been reduced.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default on payments; or
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are immediately recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (continued)

Financial instruments (continued)

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as FVTPL. The Group has not designated any financial liabilities as being at FVTPL and accordingly only holds financial instruments in this category that are deemed to be held for trading under the provisions of IAS 39.

With respect to the Group, all financial liabilities that are held for trading are derivative instruments that are not designated and effective as hedging instruments (see the derivative accounting policy below).

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. All other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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 the economic exposure to this risk. The Group does not use derivative financial instruments for speculative purposes.

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3. Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

Leases

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

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

The Group currently has no finance leases.

Provisions

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

All the Group's premises are leased under operating leases. The majority of the leases include end of lease rectification clauses which impose certain requirements on the Group to complete repairs and maintenance, or re-decoration activities if required. The Group provides for repairs and maintenance obligations as it becomes aware of any significant amounts that will be required.

Share capital and share premium account

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

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

Employee Benefit Trust Shares

Under the terms of the Group Long Term Incentive Plan ('LTIP') for the directors, the parent Company issued certain shares to an Employee Benefit Trust, with consideration paid for through the issuance of a loan to the Trust from the Group. The award of shares under the LTIP is conditional upon certain vesting criteria, as outlined in note 30. The fair value of the awards made is measured under the policy disclosed below for Share Options.

3. Significant accounting policies (continued)

Employee Benefit Trust Shares (continued)

The Group presents the conditional shares as an adjustment to own equity at the balance sheet date through the Employee Benefit Trust shares reserve, until the point that the shares are awarded, and cease to be conditional awards of shares.

Revenue recognition

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

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

- Retail comprises revenue from retail jewellery sales, of both purchased stock and from the sale of pledged security from unredeemed pawn loans and is recognised at the time of sale;
- Pawnbroking, or Pawn Service Charge (PSC), comprises interest on pledge book loans, plus auction profit and loss, less any auction commissions payable and less surplus payable to the customer. Interest receivable on loans is recognised as interest accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount;
- Scrap comprises proceeds from gold scrap sales and is recognised at the time of sale;
- Cheque cashing comprises revenues from third party Cheque Cashing and Pay Day Advances. The commission receivable on cheque cashing is recognised at the time of the transaction; and
- Other financial services comprise revenues from other unsecured lending, foreign exchange income, prepaid card and other income. 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. Any other revenues are recognised on an accruals basis.

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

The Group recognises revenue and bad debt expenses (both impairments and movements on allowance accounts) on pawnbroking, cheque cashing and other financial services on a portfolio approach. The Group considers that the bad debts arising on the loans and receivables balances are a direct function of the revenue earned due to the nature of the activities, and accordingly records the net amount of interest or commissions due and bad debt expenses within revenue. The Group provides an analysis of the amounts recorded against revenue in notes 6, 7 and 28.

Gross profit

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

Other direct expenses

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

Exceptional items

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

3. Significant accounting policies (continued)

EBITDA

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

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

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

Operating profit

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

Retirement benefit costs

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

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

Employee share incentive plans

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

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

Dividends

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

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

Revenue recognition

Interest receivable on pawnbroking loans is recognised as interest accrues by reference to the percentage of the pawn loans that are estimated to be redeemed and the effective interest rate applicable. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The estimated future cash receipts are based on the historical cash receipts experience (the "Pledge Redemption") of the business which vary from month to month. The Group monitors the Pledge Redemption on a monthly basis.

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

Inventories

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

Dilapidations provisions

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

Intangible assets – Software

The Group has impaired the carrying value of the bespoke EPOS software that was being developed for the Group from 2006 to 2008. The impairment has been presented as an exceptional item reported under intangible assets. This reflects the Group assessment that the impairment represents a material item of expense which derives from events or transactions that fall within the ordinary activities of the Group which is individually material to the financial statements and requires separate disclosure in order for the financial statements to provide a meaningful year on year comparison of results.

Key sources of estimation uncertainty

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

Pawnbroking loans interest accrual estimation

The Group recognises interest on pawnbroking loans as disclosed in the Critical judgements in applying the Group's accounting policies section above. The pawn loans interest accrual ('pledge accrual') is material to the financial statements and is dependant on the estimate that the Group makes of the expected level of redeemed pawn loans. The Group estimates the expected redemptions based on the historical redemption rates achieved. There is a risk that the actual redemption rate may vary significantly from the historical rate used to estimate the pledge accrual at the balance sheet date. The Directors assess the pledge accrual estimate made at the prior balance sheet date annually to determine if the actual redemption differs significantly to the previous estimate. No significant differences were noted for 2007 or 2008. The sensitivity of the pledge accrual to reasonable changes in the redemption rate is shown in note 28.

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. None of these cash generating units include intangible assets with indefinite lives. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable

discount rate in order to calculate present value. The review is conducted annually, in the final quarter of the year. The impairment review is conducted at the level of each cash generating unit, which for acquisitions represents the specific store acquired. For disclosure purposes, the Group aggregates the acquisitions in each period to simplify the overall presentation. The carrying value of each aggregated set as described above, including the amount of goodwill included in each cash generating unit is as follows:

	Carrying value of CGU assets at 31 December 2008 £'000	Carrying value of goodwill included in the CGU at 31 December 2008 £'000
Harvey & Thompson Ltd	22,843	14,133
Stores acquired in 2005	519	213
Stores acquired in 2006	801	553
Stores acquired in 2007	2,420	1,516
Stores acquired in 2008	625	391

There were no impairments recorded in the current or preceding year. The principal assumptions applied by management in arriving at the value in use of each cash generating unit are as follows:

1. The Group has forecast cash flows, over a five year period, reflecting management's estimate of the expected growth of the revenue in the relevant cash generating unit, based on the specific characteristics of the store, and the stage of development of the core product offerings, being principally the pledge book and the cheque cashing activities. This reflects both past experience of the Group, and store specific factors.
2. The Group has discounted the cash flows at a pre tax, risk adjusted rate of 16%. This rate is considered to be appropriate on the basis of the relatively small size of each cash generating unit.
3. The directors have considered reasonably possible changes in the key assumptions and are of the opinion that no change to the impairment review conclusions would arise from such changes. This reflects the prudent acquisition policy applied by the Group, the integration of the acquisitions within the overall portfolio of stores that the Group operates, and the growth obtained through the introduction of the Group's products in newly acquired stores.

While the impairment review has been conducted based on the best available estimates at the impairment review date, the Group notes that actual events may vary materially from management expectation.

Fair value of derivatives

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

Trade receivables provisioning

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

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

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

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

Trade receivables provisioning (continued)

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

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

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

For further details on the provisions and impairment losses, refer to note 28, which show the amounts recorded in the period and the sensitivity at the balance sheet date to changes in the key assumptions with respect to impairment losses.

Stock provisioning

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

5. Revenue

An analysis of the Group's revenue is as follows:

	2008 £'000	2007 £'000
Pawnbroking, retail, scrap, cheque cashing and other financial services	52,868	38,363
Investment revenues	45	35
	52,913	38,398

Further analysis of revenue by segment is shown in note 6.

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

	2008 £'000	2007 £'000
Income		
Interest earned on financial assets not designated at fair value	19,233	17,375
Fees earned on financial assets not designated at fair value	6,707	5,269

6. Business and geographical segments

Business segments

For reporting purposes, the Group is currently organised into five segments – Pawnbroking, Retail, Scrap, Cheque cashing and Other financial services. The principal activities by segment are as follows:

Pawnbroking:

Pawnbroking is a loan secured against a collateral (the pledge). In the case of the group over 98% of the collaterals against which amounts are lent is jewellery made of gold, 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.

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.

Further details on each activity are included in the Chief Executive's Review on pages 12 to 16.

6. 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
2008						
Revenue						
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
Segment result – gross result	19,720	7,208	4,760	3,826	225	35,739

As disclosed in note 3, Gross profit is stated after charging bad debt expenses and the direct costs of stock items sold or scrapped in the period. Other operating expenses of the stores are included in other direct expenses. The Group is unable to meaningfully allocate the other direct expenses of operating the stores between segments as the activities are conducted from the same stores, utilising the same assets and staff. The Group is also unable to meaningfully allocate Group administrative expenses, or financing costs or income between the segments. Accordingly, the Group is unable to meaningfully disclose an allocation of items included in the income statement below Gross profit, which represents the reported segment results.

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

	Pawnbroking 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
Other information							
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
Balance sheet							
Assets							
Segment assets	36,999	9,935	795	2,642	474	–	50,845
Unallocated corporate assets						30,165	30,165
Consolidated total assets							81,010
Liabilities							
Segment liabilities	–	(216)	–	(94)	(51)	–	(361)
Unallocated corporate liabilities						(44,901)	(44,901)
Consolidated total liabilities							(45,262)

(*) 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.

6. Business and geographical segments (continued)

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

Other information	Pawnbroking 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
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Capital additions (*)	–	–	–	–	–	4,278	4,278
Depreciation and amortisation (*)	–	–	–	–	–	1,367	1,367
Impairment losses recognised in income	80	–	–	1,637	799	–	2,516

Balance sheet

Assets

Segment assets	32,283	6,182	537	2,089	531	–	41,622
Unallocated corporate assets						27,157	27,157
Consolidated total assets							68,779

Liabilities

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.

Geographical segments

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

7. Operating profit

	2008 £'000	2007 £'000
Operating profit has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment reported within:		
- Other direct expenses	1,294	1,075
- Administrative expenses	192	185
Amortisation of intangible assets (reported within Other direct expenses)	159	107
Loss/(gain) on disposal of property, plant and equipment	113	(8)
Loss on disposal of intangible assets (software) (including exceptional item of £832,000, note 14)	845	-
Cost of inventories recognised as expense	17,040	10,625
Write downs of inventories recognised as an expense	160	74
Staff costs (see note 9)	11,082	8,861
Impairment (gain)/loss recognised on pawnbroking financial assets (*)	(15)	2
Provision recognised on pawnbroking financial assets (*)	130	89
Impairment loss recognised on cheque cashing financial assets (*)	2,148	-
Provision recognised on cheque cashing financial assets (*)	587	1,758
Impairment loss recognised on other financial services financial assets(*)	301	517
Provision recognised on other financial services financial assets (*)	136	261

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

Although the Group has written off, or provided for some of the financial assets in the current and previous periods, the Group continues to seek recovery of these assets. For further analysis on the movements in allowances, and amounts written off, see note 28.

8. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2008 £'000	2007 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	42	53
Fees payable to the Company's auditors for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	41	39
<i>Total audit fees</i>	83	92
- Tax services	28	13
- Other services	18	9
<i>Total non-audit fees</i>	46	22

The Company and Group audit fees are borne by a subsidiary undertaking, Harvey & Thompson Limited. Included within the audit fee attributable to the Company is £nil (2007: £25,000) with respect to the IFRS transition of the Group.

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

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

9. Information regarding directors and employees

Non-executive directors' emoluments

4 (2007 - 3) non-executive directors receive payments for services rendered to the H & T Group plc group. Their emoluments are included in the analysis below.

	2008 £'000	2007 £'000
Directors' emoluments		
Aggregate emoluments	803	711
Company pension contributions to money purchase schemes	17	18
	820	729

All executive directors during the year (2007: all) participated in Harvey & Thompson Limited's money purchase pension scheme. In addition, £94,000 (2007: £34,000) was charged to the income statement in respect of the fair value of the share options and conditional shares granted to the directors under the different schemes. None (2007: none) of the directors exercised options over shares in the Company in the year.

	2008 £'000	2007 £'000
Highest paid director		
Aggregate emoluments	315	274
Company pension contributions to money purchase scheme	8	8

In addition, £50,000 (2007: £27,000) was charged to the income statement in respect of the fair value of the share options and conditional shares granted under the different schemes.

	2008 No.	2007 No.
Average number of persons employed (including directors)		
Branches	453	358
Administration	67	49
	520	407

	2008 £'000	2007 £'000
Staff costs during the year (including directors)		
Wages and salaries	9,797	7,839
Share option compensation expense	178	105
Social security costs	1,023	831
Other pension costs	84	86
	11,082	8,861

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

10. Investment revenues

	2008 £'000	2007 £'000
Interest revenue:		
Bank deposits	45	35

Investment revenues earned on financial assets (analysed by category of asset) is as follows:

	2008 £'000	2007 £'000
Loans and receivables (including cash and bank balances)	45	35

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

11. Other gains

In 2007, the Group disposed of its final freehold property. The disposal in 2007 was leased back under an operating lease. The Group applied the considerations of IAS 17 to the sale and leaseback transaction and recorded the full profit on disposal on an historic cost basis. In arriving at this treatment, the Group concluded that the disposal proceeds and subsequent rentals are at fair market amounts.

The profit on disposal of the freehold property was determined as follows:

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

The capital gains tax payable in respect of the disposal of the property was £45,000 in 2007 (2008: £nil) and was reported within deferred tax liabilities in the 2007 accounts as the Group planned to claim hold-over relief on the gains. The gain was subsequently paid in 2008 as part of the 2007 corporation tax liability, resulting in a £34,000 deferred tax credit to the income statement reported as an adjustment in respect of prior periods for deferred tax with a corresponding adjustment to the current tax charge in respect of prior years. The Company still intends to claim hold-over relief on the gains arising on disposal of the freehold property through reinvestment of the disposal proceeds in qualifying assets.

12. Finance costs

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

13. 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
Current tax						
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)
Total current tax	3,562	(50)	3,512	2,327	–	2,327
Deferred tax						
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
Total deferred tax (note 26)	(377)	(183)	(560)	(95)	52	(43)
Tax charge/(credit) on profit	3,185	(233)	2,952	2,232	52	2,284

(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
Total actual amount of current tax charge	3,185	(233)	2,952	2,232	52	2,284

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%.

14. Exceptional items

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

Year ended 31 December 2008

In 2006 the Group commenced the development through a third party software development house of a bespoke point of sale software. During the year to 31 December 2008, the Group commenced detailed user acceptance testing on the software, significantly behind the initial planned user acceptance testing which was scheduled for June 2007. This testing indicated a significant number of problems with the software. Due to the delays in development, and the difficulties encountered in the user acceptance testing, the directors have terminated the contract with the third party software house by mutual agreement. The carrying value of the point of sale software that has no further use to the Group has been written off in full, resulting in a non-recurring exceptional cost in the period of £832,000. The Group is separately developing a substitute point of sale software, which the Group intends to roll out in 2009. The current software is aged, but remains reliable, such that the delay in implementation of the replacement system does not have a material impact on the ability of the Group to manage operations on a day to day basis, or report transactions and balances in a reliable and timely manner.

Year ended 31 December 2007

In the year ended 31 December 2007, as disclosed in note 11, the Group disposed of its final freehold property making an exceptional profit of £201,000.

Tax effect of exceptional items

The tax effect of the above exceptional items is shown separately in note 13.

15. Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. With respect to the Group these represent share options 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 and disclosed in note 14. 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 £'000	Weighted average number of shares	Per-share amount pence	Earnings £'000	Weighted average number of shares	Per-share amount pence
Earnings per share basic	7,117	35,113,078	20.27	5,079	33,487,898	15.17
Effect of dilutive securities						
Options and conditional shares	–	8,997	(0.01)	–	64,573	(0.03)
Earnings per share diluted	7,117	35,122,075	20.26	5,079	33,552,471	15.14
Earnings per share - basic	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
Adjusted earnings per share - basic	7,716	35,113,078	21.97	4,930	33,487,898	14.72
Effect of dilutive securities						
Options and conditional shares	–	8,997	–	–	64,573	(0.03)
Adjusted earnings per share - diluted	7,716	35,122,075	21.97	4,930	33,552,471	14.69

16. Dividends

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2007 of 3.4p (2006: 3.0p) per share	1,192	945
Interim dividend for the year ended 31 December 2008 of 2.0p (2007: 1.6p) per share	702	562
	1,894	1,507
Amounts proposed and not recognised:		
Proposed final dividend for the year ended 31 December 2008 of 4.5p (2007: 3.4p) per share.	1,590	1,192

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

17. Goodwill

	Goodwill arising on purchase of subsidiaries £'000	Goodwill on trade and asset purchases £'000	Total Goodwill £'000
Cost and carrying amount			
At 1 January 2007	14,133	766	14,899
Recognised on acquisition of trade and assets (note 31)	–	1,516	1,516
At 1 January 2008	14,133	2,282	16,415
Recognised on acquisition of trade and assets (note 31)	–	391	391
At 31 December 2008	14,133	2,673	16,806

There are no recognised impairment losses at either 1 January 2007, 1 January 2008 or 31 December 2008 and accordingly, the carrying amount of goodwill is the purchase cost.

Goodwill acquired in a business combination is allocated as follows:

	2008 £'000	2007 £'000
Harvey & Thompson Limited	14,133	14,133
Stores acquired in 2005	213	213
Stores acquired in 2006	553	553
Stores acquired in 2007	1,516	1,516
Stores acquired in 2008	391	–
	16,806	16,415

17. Goodwill (continued)

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

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The impairment review was conducted as described in note 4.

18. Other intangible assets

	Software £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2007	1,750	163	1,913
Additions	242	–	242
Acquired on acquisition of trade and assets (note 31)	–	541	541
At 1 January 2008	1,992	704	2,696
Additions	365	–	365
Acquired on acquisition of trade and assets (note 31)	–	330	330
Disposals/written off	(855)	–	(855)
At 31 December 2008	1,502	1,034	2,536
Amortisation			
At 1 January 2007	1,100	9	1,109
Charge for the year	23	84	107
At 1 January 2008	1,123	93	1,216
Charge for the year	–	159	159
Disposals	(10)	–	(10)
At 31 December 2008	1,113	252	1,365
Carrying amount			
At 31 December 2008	389	782	1,171
At 31 December 2007	869	611	1,480

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

The amortisation period for customer relationship intangible assets is between 6 and 8 years and the amortisation period for software intangible assets is 7 years. These amortisation periods reflect the directors' best estimate of the estimated useful economic lives of these intangible assets.

Included within disposals and written off intangibles in the year is the permanent reduction in carrying value of the bespoke point of sale system of £832,000. The directors are of the opinion that this asset no longer exists in the Group and accordingly, it has been removed from the cost of intangible assets.

19. Property, plant and equipment

	Short leasehold premises £'000	Motor vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation					
At 1 January 2007	7,553	89	2,122	2,720	12,484
Additions	1,326	–	407	196	1,929
Acquisition of trade and assets (note 31)	44	–	–	6	50
Disposals	–	(89)	–	–	(89)
At 1 January 2008	8,923	–	2,529	2,922	14,374
Additions	2,484	–	248	578	3,310
Acquisition of trade and assets (note 31)	20	–	–	–	20
Disposals	(290)	–	(19)	(96)	(405)
At 31 December 2008	11,137	–	2,758	3,404	17,299
Accumulated depreciation and impairment					
At 1 January 2007	3,966	60	1,516	1,546	7,088
Charge for the year	829	7	206	218	1,260
Disposals	–	(67)	–	–	(67)
At 1 January 2008	4,795	–	1,722	1,764	8,281
Charge for the year	975	–	261	250	1,486
Disposals	(197)	–	(30)	(65)	(292)
At 31 December 2008	5,573	–	1,953	1,949	9,475
Carrying amount					
At 31 December 2008	5,564	–	805	1,455	7,824
At 31 December 2007	4,128	–	807	1,158	6,093

Capital commitments for tangible and intangible assets are disclosed in note 35.

20. Subsidiaries

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

21. Inventories

	2008 £'000	2007 £'000
Retail and scrap stock	10,730	6,720

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

22. Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	35,200	30,522
Other debtors	72	58
Pledge accrued income	5,022	4,475
Prepayments and other accrued income	1,246	1,050
	41,540	36,105

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

Cash and cash equivalents

	2008 £'000	2007 £'000
Cash and cash equivalents	2,744	1,966

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

Further details on financial instruments, including the associated risks to the Group and allowances for bad and doubtful debts and fair values, is provided in note 28.

23. Trade and other payables

	2008 £'000	2007 £'000
Trade creditors	1,262	839
Other taxation and social security costs	286	243
Accruals and deferred income	3,776	2,240
	5,324	3,322

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 28 days (2007: 29 days). For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	2008 £'000	2007 £'000
Corporation tax	2,542	1,193

24. Borrowings

	2008 £'000	2007 £'000
Secured borrowing at amortised cost		
Bank loans	37,156	34,152
Unamortised issue costs	(500)	(735)
Total borrowings	36,656	33,417
Short term portion of bank loan	2,000	2,000
Unamortised issue costs	(223)	(234)
Amount due for settlement within one year	1,777	1,766
Long term portion of bank loan	35,156	32,152
Unamortised issue costs	(277)	(500)
Amount due for settlement after more than one year	34,879	31,651

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

Facility A - The Facility A Loan, repayable in instalments up to 11 May 2011 (2007: 11 May 2011) has an interest rate of LIBOR plus a margin of not more than 1.65% (2007: 1.65%). A margin ratchet, offering reduced interest rates, came into force from 1 May 2008 since the Group met ratios as stipulated in the Credit Agreement. The lowest facility A margin achievable is LIBOR plus 1.50% (2007: 1.50%). As at 31 December 2008, the balance on the Facility A Loan, including short-term, was £11,000,000 (2007: £13,000,000).

Facility B - The Facility B Loan has an interest of LIBOR plus a margin of 1.40% (2007: 1.40%). A margin ratchet, offering reduced interest rates, came into force from 1 May 2008 since the Group met ratios as stipulated in the Credit Agreement. The lowest facility B margin achievable is LIBOR plus 1.25% (2007: 1.25%). This loan is secured on the pledge book of Harvey & Thompson Limited, one of the Group's subsidiary undertakings. The Facility B loan is repayable by 11 May 2011. The available facility is increased from 11 May 2009 by £1,000,000 to £27,000,000, provided that the facility does not exceed £27,000,000 and the working capital facility (noted below) is reduced by £1,000,000. As at 31 December 2008, the balance on the Facility B Loan was £25,200,000 (2007: £20,500,000).

Facility C - The Facility C Loan has an interest of LIBOR plus a margin of 1.65% (2007: 1.65%). A margin ratchet, offering reduced interest rates, came into force from 1 May 2008 since the Group met ratios as stipulated in the Credit Agreement. The lowest facility C margin achievable is LIBOR plus 1.50% (2007: 1.50%). The Facility C Loan is repayable by 11 May 2011. As at 31 December 2008, the balance on the Facility C Loan was £956,000 (2007: £651,000).

Working capital facility - The working capital facility has not been utilised by the Group. The working capital facility has an interest of LIBOR plus a margin of 1.65% (2007: 1.65%). A margin ratchet, offering reduced interest rates, came into force from 1 May 2008 since the Group met ratios as stipulated in the Credit Agreement. The lowest facility B margin achievable is LIBOR plus 1.50% (2007: 1.50%). The working capital facility loan is repayable by 11 May 2011. The facility is automatically reduced by £1,000,000 from 11 May 2009.

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

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

Deferred debt issue costs

The movement in the deferred debt issue costs of £223,000 represents the amortisation of the debt issue costs brought forward as at 31 December 2007.

Undrawn borrowing facilities

At 31 December 2008, the Group had available £5,844,000 (2007: £8,100,000) of undrawn £ Sterling committed borrowing facilities in respect of which all conditions precedent had been met. Additionally the Group has a £1,900,000 (2007: £1,900,000) undrawn facility for interest hedging and a £9,300,000 (2007: £nil) undrawn facility for gold hedging.

25. Derivative financial instruments

	Current 2008 £'000	2007 £'000
Financial assets carried at fair value through profit or loss (FVTPL)		
Interest rate swaps - liability	665	18

The change in fair value of the interest rate swaps is recorded in the income statement, being a loss of £647,000 in the year to 31 December 2008 (2007: loss of £151,000).

Further details of derivative financial instruments are provided in note 28.

26. Deferred tax

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

	Fixed assets differences £'000	Hold over capital gain £'000	Short term timing differences £'000	Share based payment £'000	Derivative financial instruments £'000	Total £'000
At 1 January 2007	305	250	(188)	–	40	407
(Credit)/charge to income	(29)	56	(54)	(10)	(46)	(83)
Prior year adjustment	59	8	–	–	–	67
Effect of change in tax rate – income statement	(22)	(20)	15	–	1	(26)
At 1 January 2008	313	294	(227)	(10)	(5)	365
Prior year adjustment (Credit)/charge to income	19 (295)	(53) –	– (60)	– 10	– (181)	(34) (526)
As 31 December 2008	37	241	(287)	–	(186)	(195)

Deferred tax assets and liabilities all relate to the same tax jurisdiction and taxable entities, and are expected to reverse over the same time periods. Accordingly, these have been offset in the balance sheet.

27. Provisions

	Dilapidation provision £'000
At 1 January 2007 and 1 January 2008	119
Provision utilised in the year	(33)
Provision released in the year to the income statement	(11)
At 31 December 2008	75

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

28. Financial instruments

Significant accounting policies and classification of financial instruments

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

Categories of financial instruments

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

At 31 December 2008

	Fair value through profit and loss(*) £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets				
Trade receivables	–	35,200	–	35,200
Pledge accrued income (**)	–	5,022	–	5,022
Other assets	–	72	–	72
Cash and cash equivalents	–	2,744	–	2,744
Total financial assets	–	43,038	–	43,038
Financial liabilities				
Trade and other payables	–	–	3,992	3,992
Borrowings due within one year	–	–	2,000	2,000
Borrowings due after one year	–	–	35,156	35,156
Derivative financial instruments (*)	665	–	–	665
Total financial liabilities	665	–	41,148	41,813

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

(**) Pledge accrued income is included in the table above as the Group has a contractual right to receive interest payments under the pledge contracts, and the accrual recorded reflects only the contractually due amounts, as adjusted for interest that is expected not to be earned on pledges that forfeit. The Group notes that the interest is not contractually due until the latest date that the customer can redeem the pledge, being six months from the pledge contract commencement date, and accordingly that an element of the pledge interest accrual does not meet the strict definition of a financial instrument under IAS 39. The Group is of the opinion that the pledge interest accrual is an important balance within the context of the overall Group operations and requires additional disclosure which is presented by way of this note.

28. Financial instruments (continued)

At 31 December 2007

	Fair value through profit and loss(*) £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets				
Trade receivables	–	30,522	–	30,522
Pledge accrued income (**)	–	4,475	–	4,475
Other assets	–	58	–	58
Cash and cash equivalents	–	1,966	–	1,966
Total financial assets	–	37,021	–	37,021
Financial liabilities				
Trade and other payables	–	–	2,183	2,183
Borrowings due within one year	–	–	2,000	2,000
Borrowings due after one year	–	–	32,152	32,152
Derivative financial instrument (*)	18	–	–	18
Total financial liabilities	18	–	36,335	36,353

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

(**) Pledge accrued income is included in the table above as the Group has a contractual right to receive interest payments under the pledge contracts, and the accrual recorded reflects only the contractually due amounts, as adjusted for interest that is expected not to be earned on pledges that forfeit. The Group notes that the interest is not contractually due until the latest date that the customer can redeem the pledge, being six months from the pledge contract commencement date, and accordingly that an element of the pledge interest accrual does not meet the strict definition of a financial instrument under IAS 39. The Group is of the opinion that the pledge interest accrual is an important balance within the context of the overall Group operations and requires additional disclosure which is presented by way of this note.

Classes of financial assets and liabilities

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

	Book values 2008 £'000	Book values 2007 £'000	Fair value 2008 £'000	Fair value 2007 £'000
Pawnbroking	36,999	32,283	42,860	35,218
Cheque cashing	2,642	2,089	2,642	2,089
Other financial services	441	531	441	531
Unallocated	2,956	2,118	2,956	2,060
Total financial assets	43,038	37,021	48,899	39,898

28. Financial instruments (continued)

	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Borrowings	37,156	34,152	37,156	34,152
Interest rate derivatives	665	18	665	18
Short term operating liabilities	3,992	2,183	3,992	2,183
Total financial liabilities	41,813	36,353	41,813	36,353

Fair value

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

- (i) For the Pawnbroking class, the fair value has been calculated by adding:
 - The principal outstanding on pawn loans;
 - The interest receivable accrued using the effective interest rate method; and
 - The proportion of the profit on scrap for the loans on which the Group does not recognise interest due to the uncertainty of recovery of the interest, apportioned over the pledge contract.
- (ii) For Cheque cashing, Other financial services and Unallocated classes, the book value approximates to fair value because of their short maturities, fixed or floating interest rates which reflect market rates, and the provisions recorded for losses at the balance sheet dates, where relevant.
- (iii) For the Interest rate derivatives class, the fair value has been calculated by discounting the future estimated cash flows based on the applicable yield curve derived from quoted interest rates.
- (iv) For Borrowings and Short term operating liabilities classes, the book value approximates to fair value because of their short maturities and interest rates where applicable. None of the Short term operating liabilities are interest bearing. The borrowings are all held at floating interest rates which approximate market rates, and accordingly, the book value and fair value are the same.

Financial risk management objectives

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

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

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

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

Pawnbroking financial asset class

The pawnbroking financial asset class is exposed to three principal risks:

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

28. Financial instruments (continued)

Pawnbroking financial asset class (continued)

Credit risk

The Group is exposed to credit risk primarily through:

- (i) default on the loan amounts (forfeits).

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

- (ii) assets being pledged as security against loans, which are subsequently seized by the police;
- (iii) assets being pledged as security against loans being stolen or lost, resulting in the borrower being relieved of the liability to the Group.

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

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

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

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

The pawn contract is regulated by the Consumer Credit Act 2006, which specifies the rights and obligations of both the Group and the borrower with respect to the collateral provided and default on the loan. The Group continually reviews the pawn contract to ensure that it complies with the relevant legislation and provides sufficient protection to the Group.

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

Finally, the Group maintains an internal audit department, staffed by auditors with significant experience in the pawnbroking industry, to monitor compliance with the Group policies, and in particular to monitor the existence and security of the pledge items, the value of the pledge items compared with the pledge loan, the legal compliance of the pledge contracts and the compliance of the stores with the Group lending policies. The internal audit department reports directly to the Finance Director and the Chairman of the audit committee and makes regular visits to all stores throughout the year, in meeting the objectives of its work.

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

- (i) If the value of the loan is £75 or under, the goods become the property of the Group immediately. The goods are then either auctioned, retained through the Group outlets or scrapped, with profits reported in either the Retail or Scrap segments as applicable.
- (ii) If the value of the loan is over £75, the goods are sent to public auction. The goods are then either sold at auction or bought back by the Group.

28. Financial instruments (continued)

Pawnbroking financial asset class (continued)

Credit risk (continued)

In the absence of either over-lending on the pledge item, loss of the pledge item, or police seizure of the item, the Group realises at least the value of the pledge loan immediately, with additional profits recorded upon sale or scrapping of the item. The value that the Group can realise is measured by the excess of the fair value of the collaterals, which is estimated at £43,074,000 (2007: £33,970,000) over the book value of the pledge book and associated accrued interest which amounts to £36,999,000 (2007: £32,288,000).

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

	£'000
Balance at 1 January 2007	78
Net income statement charge	89
Written off	(78)
Balance at 31 December 2007	89
Net income statement charge	130
Written off	(89)
Balance at 31 December 2008	130

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

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

	2008 £'000	2007 £'000
0 - 90 days	5,444	4,496
Over 90 days	1,511	1,519
Total	6,955	6,015

The Group has not provided for the £6,955,000 (2007: £6,015,000) contractually overdue receivables (i.e. loans where the pawn agreement has terminated but the customer has not redeemed the assets) at the reporting date since the realisable value of the collaterals held is greater than the carrying value of the pledge loan as disclosed above. The Group does not start the disposition process of the unredeemed pledges for around 3 months after the end of the credit agreement since it is commercial practice to allow additional time for the customers to come and redeem their pledged items, for an additional fee.

The maximum exposure to credit risk would be £36,999,000 (2007: £32,283,000), being the gross carrying amount net of any amounts offset and any impairment losses.

28. Financial instruments (continued)

Pawnbroking financial asset class (continued)

Risk of a change in pawnbroking loan redemption

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

The sensitivity analyses below have been determined based on the exposure to changes in the pledge redemption rate assuming the pledge book outstanding at the balance sheet date was outstanding for the whole year. A 2% increase or decrease is used when reporting pledge redemption rate sensitivity risk internally to key management personnel and represents management's assessment of the monetary impact of the change in pledge redemption rates.

	2% decrease in redemption rate £'000	2% increase in redemption rate £'000
At 31 December 2008		
Pre tax impact on income statement (loss)/gain	(132)	132
Post tax impact on equity (loss)/gain	(95)	95
At 31 December 2007		
Pre tax impact on income statement (loss)/gain	(116)	116
Post tax impact on equity (loss)/gain	(82)	82

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

Risk of changes in the price of gold

The collateral which protects the Group from credit risk on non-redemption of pawn loans is 99% comprised of gold and jewellery items. The value of these items as security is directly linked to the price of gold. The Group is therefore exposed to adverse movements in the price of gold on the value of the security that would be attributable for sale in the event of default by the borrower. The Group considers this risk to be limited for a number of reasons. First of all, the Group applies conservative lending policies in pawnbroking pledges reflected in the margin made on scrap gold when contracts forfeit. The value of gold for our customers is also much greater than the price of gold since jewellery items contain a retail margin. The Group is also protected due to the short term value of the pawn contract (6 months). In the event of a significant drop in the price of gold, the Group could mitigate this risk by reducing its lending policy on pawnbroking pledges or by entering gold hedging instruments. Management monitors the gold price on a constant basis. Based on the price of gold on 19 March 2009, the Group estimates that a 38% fall in the price of gold would be required for the pledge collateral to no longer support the value of the pawn loans and associated accrued interest. The directors are of the opinion that a decrease of this magnitude is highly unlikely.

Cheque cashing financial asset class

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

28. Financial instruments (continued)

Cheque cashing financial asset class (continued)

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

	£'000
Balance at 1 January 2007	241
Net income statement charge	1,758
Written off	(1,637)
Balance at 31 December 2007	362
Net income statement charge	2,735
Written off	(2,510)
Balance at 31 December 2008	587

The Group had no overdue receivables at the reporting date (2007: £nil). Trade receivables not overdue are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

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

	2% decrease in bad debts £'000	2% increase in bad debts £'000
At 31 December 2008		
Pre tax impact on income statement gain/(loss)	65	(65)
Post tax impact on equity gain/(loss)	46	(46)
At 31 December 2007		
Pre tax impact on income statement gain/(loss)	49	(49)
Post tax impact on equity gain/(loss)	35	(35)

The maximum exposure to credit risk would be £2,723,000 (2007: £2,089,000), being the gross carrying amount net of any amounts offset and any impairment losses.

Other Financial services financial asset class

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

28. Financial instruments (continued)

Other Financial services financial asset class (continued)

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

	£'000
Balance at 1 January 2007	282
Net income statement charge	261
Written off	(282)
Balance at 31 December 2007	261
Net income statement charge	447
Written off	(572)
Balance at 31 December 2008	136

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

The maximum exposure to credit risk would be £576,000 (2007: £531,000), being the gross carrying amount net of any amounts offset and any impairment losses.

Unallocated financial asset class

The Unallocated financial asset class comprises mainly cash and cash equivalents. Of the £2,956,000 balance at 31 December 2008 (31 December 2007: £2,118,000), cash and cash equivalents amounted to £2,744,000 (2007: £1,966,000). The remainder of the balance is considered immaterial.

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

The concentration of bank balances by counterparty financial institution are as follows:

	Credit rating	2008 £'000	2007 £'000
Barclays Bank plc	A1	1,076	628
The Royal Bank of Scotland plc	A1	493	380
		1,569	1,008

28. Financial instruments (continued)

Borrowings financial liability class

The Borrowings financial liability class is exposed to two principal risks:

- interest rate risk; and
- liquidity risk

Interest rate risk

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

The Group mitigates exposure to this interest rate risk through the use of financial derivatives instruments in floating to fixed interest rate swaps, arranged through Barclays Bank Plc. See the Interest rate derivative class for further details.

Liquidity risk

The Group has significant borrowings exposing it to liquidity risk in both repayment of borrowings and availability of finance. In order to mitigate this risk, the Group uses a mixture of short-term and long-term debt finance with banking institutions with high credit-ratings assigned by international credit-rating agencies. The current borrowings are disclosed in detail in note 24, which shows that the Group has arrangements in place to ensure sufficient funding is in place until 2011 under the current agreements. At 31 December 2008, the Group also has available £5,844,000 (2007: £8,100,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. This level of headroom is considered sufficient to finance operations at the current level, but will need to be increased to allow for expansion of the Group. Furthermore, as shown in note 33, the business generates a positive cash flow from operating activities and has discretion in its expansion programme should the Group need to improve short term cash flow.

The Group is in full compliance with all loan covenants.

The impact on the Group of the liquidity risk arising from the Borrowings class is shown along with all other classes, in the combined liquidity risk disclosures below.

Interest rate derivatives class

This class includes all derivative financial instruments that the Group has in place to mitigate the interest rate risk arising on the Borrowings class as noted above through floating to fixed interest rate swaps. The principal instrument fixes the 3 month LIBOR element of the interest cost of a portion of the bank loans to 5.315% (2007: 5.315%). A secondary instrument converts the 3 month LIBOR to 1 month LIBOR. The agreements terminate on 30 June 2009. The instruments cover £35,000,000 (2007: £35,000,000) of the loan balances. The fair value of the instrument at 31 December 2008 is £665,000 payable (2007: £18,000 payable). The Group anticipates that it will be able to obtain a similar instrument at applicable market rates when this agreement terminates.

As required by IAS 39, the Group measures the interest rate swaps at fair value at each balance sheet date. The Group does not apply hedge accounting. Accordingly, while the Group mitigates cash flow interest rate risk arising on the Borrowings class through these instruments, the Group is exposed to fair value risk on the revaluation of the instrument. The sensitivity analyses below have been determined based on the exposure to interest rates for both the Borrowings class and the Interest rate derivatives class, as these are intrinsically linked. For floating rate liabilities (the Borrowings class), the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

28. Financial instrument (continued)

Interest rate derivatives class (continued)

	1.0% decrease in interest rates £'000	1.0% increase in interest rates £'000
At 31 December 2008		
Finance costs: gain/(loss)	11	(11)
Movement in fair value of interest rate swap (loss)/gain	(228)	236
Total pre tax impact on income statement (loss)/gain	(217)	225
Post tax impact on equity (loss)/gain	(156)	162
At 31 December 2007		
Finance costs: gain/(loss)	8	(8)
Movement in fair value of interest rate swap (loss)/gain	(408)	612
Total pre tax impact on income statement (loss)/gain	(400)	604
Post tax impact on equity (loss)/gain	(288)	435

The impact of a change in interest rate has no material impact on finance costs due to the interest rate swap which covers the majority of the loan balances. The principal movements reflect the movement in fair value of the interest rate swap. Management intends to retain the interest rate swaps to maturity and replace them with similar instruments, as required under the loan agreements. Accordingly, the positive or adverse movements on the fair value of the hedging instrument will offset over the life of the instrument, though this may be in different financial reporting periods.

Liquidity risk

The interest rate derivative instruments expose the Group to liquidity risk on the payments required under the contracts. The impact on the Group is shown along with all other classes in the combined liquidity risk disclosures below.

Credit risk

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

The Group has no exposure to credit risk at the balance sheet date on the derivative financial instruments as the fair value positions are payable.

Short term operating liabilities financial liability class

The short term operating liabilities financial liability class is not exposed to any significant risk. Liquidity risk is considered to be minimal due to the availability of borrowings as discussed above and the positive cash flow from operations (see note 33).

The impact on the Group of the shown along with all other classes, in the combined liquidity risk disclosures on the next page.

28. Financial instrument (continued)

Liquidity risk

The maturity analysis of the cash flows arising from all classes exposing the Group to liquidity risk is as follows:

Payments due by period	Less than 30 days £'000	30 to 60 days £'000	60 days to 180 days £'000	180 days to 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	Total £'000
At 31 December 2008								
Floating rate borrowings	112	118	1,486	1,731	3,904	33,324	–	40,675
Interest rate derivative financial liabilities								
– (inflow)/outflow	(65)	(37)	775	–	–	–	–	673
Short term operating liabilities	1,259	2,733	–	–	–	–	–	3,992
Total	1,306	2,814	2,261	1,731	3,904	33,324	–	45,340
At 31 December 2007								
Floating rate borrowings	213	209	1,794	2,094	3,973	4,383	29,730	42,395
Interest rate derivative financial liabilities								
– (inflow)/outflow	–	–	(80)	25	73	–	–	18
Short term operating liabilities	823	1,360	–	–	–	–	–	2,183
Total	1,036	1,569	1,714	2,119	4,046	4,383	29,730	44,596

The amounts reported above for floating rate borrowings include the principal amount of borrowings as well as the interest payable on these borrowings. The floating rates used to predict the interest cash flows are based on the relevant LIBOR yield curve derived from quoted interest rates. The above amounts are contractual, undiscounted cash flows.

29. Share capital

	2008 £'000	2007 £'000
Authorised		
41,970,000 (2007: 41,970,000) ordinary shares of £0.05 each	2,099	2,099
Issued and fully paid		
35,339,190 (2007: 35,085,706) ordinary shares of £0.05 each	1,767	1,754

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

In 2008, a further 253,484 new ordinary £0.05 shares were issued, called up and fully paid. Of these new ordinary shares, 1,299 were issued to satisfy options granted under the 2006 Option Schemes exercised at a grant price of £1.825 per share on 20 February 2008, resulting in an increase in share capital of £65 and in the share premium account of £2,036. The remaining 252,185 shares were acquired by the Employee Benefit Trust as part of the LTIP 2008 (see note 30) and were issued at par value on 12 November 2008.

In 2007, 3,600,000 new ordinary shares were issued, called up and fully paid at the placing price of £2.04 per share on 16 May 2007. Of the proceeds received of £7,344,000, £180,000 was recorded in share capital and £7,164,000 in the share premium account. £282,000 was incurred in expenses directly related to the issue of these shares, which was expensed to the share premium account.

Options over shares of the Company are disclosed in note 30. Under these share option arrangements, there are 1,297,841 (2007: 789,837) open options over shares.

29. Share capital (continued)

Employee Benefit Trust shares reserve

Under the terms of the Group Long Term Incentive Plan ('LTIP') for the directors, the parent Company issued 252,185 ordinary shares of £0.05 to the Employee Benefit Trust, with consideration paid for through the issuance of a loan to the Trust from the Group. The award of shares under the LTIP is conditional upon certain vesting criteria, as outlined in note 30.

The Group presents the conditional shares as an adjustment to own equity at the balance sheet date through the Employee Benefit Trust shares reserve, until the point that the shares are awarded, and cease to be conditional awards of shares.

Movements in this reserve are shown in the Consolidated statement of changes in equity.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Gearing ratio

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

The gearing ratio at the year end is as follows:

	2008 £'000	2007 £'000
Debt	37,156	34,152
Cash and cash equivalents	(2,744)	(1,966)
Net debt	34,412	32,186
Equity	35,748	30,345
Net debt to equity ratio	96%	106%

Debt is defined as long and short-term borrowings, as detailed in note 24, before unamortised issue costs.

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

Externally imposed capital requirement

The Group is not subject to any externally imposed capital requirements.

30. Share based payments

As at 31 December 2008, the Group operated three share award schemes. The charge for the year in respect of all schemes was:

	2008 £'000	2007 £'000
A. Approved Share Option Scheme	67	45
B. Unapproved Share Option Scheme	98	60
C. Long-term Incentive Plan	13	-
	178	105

Awards that can be granted under the three schemes total a maximum of 2,098,500 shares (2007 – 2,098,500 shares).

A. Approved Share Option Scheme ('ASOS')

The Approved Share Option Scheme is a share option scheme approved by HMR&C where favourable tax treatment is received on exercise. The options may be granted to all management from Shop Manager to Executive Director level. The Remuneration Committee sets the performance conditions.

The performance conditions applied were:

- In 2008 and 2007 that an option may not be exercisable unless the growth in adjusted basic Earnings Per Share (EPS) of the Group reaches 3% above the General Index of Retail Prices ('RPI').
- In 2006 that an option may not be exercisable unless the Group reaches the yearly EBITDA budget target set for the financial year.

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

The options outstanding at the year end were as follows:

	Grant date	Exercise price Pence	Number of shares	Earliest date of exercise	Expiry date
ASOS 2006	September 2006	182.5	129,790	8/09/2009	7/09/2016
ASOS 2007	May 2007	217.5	128,783	17/05/2010	16/05/2017
ASOS 2008	May 2008	175.5	216,794	15/05/2011	14/05/2018

30. Share based payments (continued)

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

	2008	2007
Fair value at measurement date	36.27 pence	68.10 pence
Weighted average share price	175.5 pence	217.5 pence
Weighted average exercise price	175.5 pence	217.5 pence
Expected volatility	20.6%	31.0%
Expected life	6.5 years	6.5 years
Risk-free rate	4.99%	4.82%
Expected dividends	3.4%	2.5%

The expected volatility was determined by calculating the historical volatility of the share price of the Company as an estimate of future volatility. The expected life used in the model for both years has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The average remaining contractual life is 8.5 years.

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

	Number of share options	2008 Weighted average exercise price (in pence)	Number of share options	2007 Weighted average exercise price (in pence)
Outstanding at beginning of period	278,504	199.9	178,995	182.5
Granted during the period	224,813	175.5	152,792	217.5
Forfeited during the period	(26,651)	192.7	(53,283)	192.1
Exercised during the period	(1,299)	182.5	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	475,367	188.8	278,504	199.9
Exercisable at the end of the period	–	–	1,299	182.5

30. Share based payments (continued)

B. Unapproved Share Option Scheme ('USOS')

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

The performance conditions were:

- In 2008 and 2007 that an option may not be exercisable unless the growth over 3 years in adjusted basic Earnings Per Share (EPS) of the Group reaches on average at least 8% plus RPI. This applies to 25% of the options granted.
- In 2008 and 2007 that an option may not be exercisable unless the growth over 3 years in adjusted basic Earnings Per Share (EPS) of the Group reaches on average at least 10% plus RPI. This applies to 25% of the options granted.
- In 2008 and 2007 that an option may not be exercisable unless the Total Shareholder Return (TSR) over 3 years exceeds the FTSE AIM 100 performance. This applies to 50% of the options granted.
- In 2006 that an option may not be exercisable unless the Group reaches the yearly EBITDA budget target set for the financial year.

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

The options outstanding at the year end were as follows:

	Grant date	Exercise price Pence	Number of shares	Earliest date of exercise	Expiry date
USOS 2006	September 2006	182.5	271,829	8/09/2009	7/09/2016
USOS 2007	May 2007	217.5	239,504	17/05/2010	16/05/2017
USOS 2008	May 2008	175.5	311,142	15/05/2011	14/05/2018

Options were valued using a Binomial option pricing model for USOS 2006, USOS 2007 and USOS 2008 where non-market vesting conditions applied and a Monte Carlo simulation model for USOS 2007 and USOS 2008 where market vesting conditions applied. The inputs into all models used by the Group to estimate the fair value of the options awarded are as follows:

	2008	2007
Fair value at measurement date		
Non-TSR criteria	35.0 pence	68.1 pence
TSR criteria	24.6 pence	53.8 pence
Weighted average share price	175.5 pence	217.5 pence
Weighted average exercise price	175.5 pence	217.5 pence
Expected volatility	20.6%	31.0%
Expected life	6.5 years	6.5 years
Risk-free rate	4.99%	4.82%
Expected dividends	3.4%	2.5%

30. Share based payments (continued)

The expected volatility was determined by calculating the historical volatility of the share price of the Company as an estimate of future volatility. The expected life used in the model for both years has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The average remaining contractual life is 8.5 years.

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

	Number of share options	2008 Weighted average exercise price (in pence)	Number of share options	2007 Weighted average exercise price (in pence)
Outstanding at beginning of period	511,332	198.9	271,829	182.5
Granted during the period	311,142	175.5	239,503	217.5
Forfeited during the period	–	–	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	822,474	190.05	511,332	198.9
Exercisable at the end of the period	–	–	–	–

Long-term Incentive Plan ('LTIP')

The LTIP is a discretionary share incentive scheme under which the Remuneration Committee may grant ordinary shares at no cost to executive directors.

The LTIP operates as conditional shares awarded over a three year performance period. The performance period commences on the start of the financial year of the grant date, 1 January 2008 and runs to 31 December 2010. The shares first vest three years from the grant date on 7 November 2011.

The performance measurement condition is based on Total Shareholder Return (TSR) and an Earnings per share (EPS) test.

The performance conditions were:

- That the award may not be exercisable unless the growth over 3 years in adjusted basic Earnings Per Share (EPS) of the Group reaches on average at least 8% plus RPI. This applies to 25% of the shares granted.
- That the award may not be exercisable unless the growth over 3 years in adjusted basic Earnings Per Share (EPS) of the Group reaches on average at least 10% plus RPI. This applies to 25% of the shares granted.
- That the award may not be exercisable unless the Total Shareholder Return (TSR) over 3 years exceeds the FTSE AIM 100 performance. This applies to 50% of the shares granted.

30. Share based payments (continued)

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

The conditional shares granted during the year end outstanding at the year end were as follows:

	Grant date	Number of conditional shares	Earliest date of exercise
LTIP 2008	November 2008	252,185	07/11/2011

The conditional shares were valued using a Monte Carlo simulation model. The inputs into all models used by the Group to estimate the fair value of the options awarded are as follows:

	2008
Fair value at measurement date	
Non-TSR criteria	154.0 pence
TSR criteria	143.6 pence
Weighted average share price	154.0 pence
Weighted average exercise price	154.0 pence
Expected volatility	27.2%
FTSE AIM 100 index volatility	25% pa
Correlation between the Group and the FTSE AIM 100 index	25%

The expected volatility was determined by calculating the historical volatility of the share price of the Company as an indicator of the future volatility.

The average remaining contractual life is 2.9 years.

A reconciliation of conditional share movements for the LTIP is set out below:

	Number of conditional shares	2008 Weighted average exercise price (in pence)	Number of conditional shares	2007 Weighted average exercise price (in pence)
Outstanding at beginning of period	–	–	–	–
Granted during the period	252,185	–	–	–
Forfeited during the period	–	–	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	252,185	–	–	–

31.Acquisition of trade and assets

The following acquisitions were made during the year:

	Acq 1 £'000	Acq 2 £'000	Acq 3 £'000	Acq 4 £'000	Total 2008 £'000	Total 2007 £'000
Assets acquired:						
Property, Plant and Equipment (note 19)	15	–	5	–	20	50
Intangible assets (note 18)	92	4	91	143	330	541
Retail stock	262	–	16	24	302	410
Debtors	143	56	128	216	543	1,033
Cash	7	–	9	6	22	51
Total assets acquired	519	60	249	389	1,217	2,085
Consideration:						
Cash	557	60	500	491	1,608	3,601
Total consideration	557	60	500	491	1,608	3,601
Goodwill (note 17)	38	–	251	102	391	1,516
Net cash outflow on acquisition:						
Cash consideration					1,608	3,601
Cash and cash equivalents acquired					(22)	(51)
					1,586	3,550

Acquisition 1

On 11 February 2008, the Company reached agreement to acquire the trade and assets of an independent pawnbroker and cheque cashing agent. The directors consider the book values to be the provisional fair value of those assets and liabilities acquired other than for intangible assets which have been valued by the Group based on discounted cash flow and represent an adjustment to book values. Other than the consideration paid, there are no material cash flows relating to the acquisition.

Acquisition 2

On 31 March 2008, the Company reached agreement to acquire the pledge book of an independent pawnbroker. The directors consider the book values to be the provisional fair value of those assets acquired other than for intangible assets which have been valued by the Group based on discounted cash flow and represent an adjustment to book values. There are no material cash flows relating to the acquisition.

Acquisition 3

On 22 September 2008, the Company reached agreement to acquire the trade and assets of an independent pawnbroker and cheque cashing agent. The directors consider the book values to be the provisional fair value of those assets and liabilities acquired other than for intangible assets which have been valued by the Group based on discounted cash flow and represent an adjustment to book values. Other than the consideration paid, there are no material cash flows relating to the acquisition.

Acquisition 4

On 19 November 2008, the Company reached agreement to acquire the trade and assets of an independent pawnbroker and cheque cashing agent. The directors consider the book values to be the provisional fair value of those assets and liabilities acquired, other than for intangible assets which have been valued by the Group based on discounted cash flow and represent an adjustment to book values. Other than the consideration paid, there are no material cash flows relating to the acquisition.

31.Acquisition of trade and assets (continued)

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

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

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

The above acquisitions contributed in total £500,000 revenue and £100,000 to the Group's profit before tax for the period between the date of each acquisition and the balance sheet date. No individual acquisition was material and accordingly, further analysis by acquisition is not presented.

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

32.Operating lease arrangements

The group as lessee

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense in the year	2,846	2,252

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

	Land and buildings		Other	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Within one year	2,942	2,313	19	42
In the second to fifth years inclusive	10,438	7,885	17	36
After five years	13,845	11,331	–	–
	27,225	21,529	36	78

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

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

33. 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.

34. Related party transactions

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

Transactions with directors are disclosed in the Directors' Report and note 9. The only further material related party transaction was the grant to A. Lilley (a director of Harvey & Thompson Limited) of 43,875 options under the 2008 share option schemes (2007: 35,399 options under the 2007 share options schemes). The options under both schemes have been granted at an exercise price equal to the market value at the date of the option being granted.

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

Remuneration of key management personnel

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

	2008 £'000	2007 £'000
Short-term employee benefits	937	813
Pension contributions	21	21
Share-based payments	108	40
	1,066	874

35. Capital commitments

There is no significant capital expenditure authorised and contracted for but not provided in the accounts (2007: £508,000).

The 2007 commitment related to the development and licensing costs of the new electronic point of sale system (EPOS) which was scheduled for delivery and implementation in 2008. This system has now been written off, as disclosed in note 4 and 14.

36. Events after the balance sheet date

The directors have proposed a final dividend for the year ended 31 December 2008 of 4.5p (note 16).

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

We have audited the parent Company financial statements of H & T Group plc for the year ended 31 December 2008 which comprise the Company balance sheet and the related notes A to F. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of H & T Group plc for the year ended 31 December 2008.

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

Respective responsibilities of directors and auditors

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

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

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

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent Company financial statements. We consider the implications for our report if we

become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any further information outside the Annual report.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent Company financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
Crawley, United Kingdom

19 March 2009

Note: The maintenance and integrity of H&T Group plc's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ in other jurisdictions.

Company Balance Sheet

At 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Investments	C	–	–
		–	–
Current assets			
Debtors	D	30,424	32,367
Cash at bank and in hand		4	1
		30,428	32,368
Creditors: amounts falling due within one year	E	(39)	(21)
Net current assets		30,389	32,347
Total assets less current liabilities		30,389	32,347
Net assets		30,389	32,347
Capital and reserves			
Called up share capital	F	1,767	1,754
Share premium account		23,996	23,994
Employee Benefit Trust shares reserve		(13)	–
Profit and loss account		4,639	6,599
Total shareholders' funds		30,389	32,347

These financial statements were approved by the Board of Directors on 19 March 2009.
Signed on behalf of the Board of Directors



J G Nichols
Chief Executive

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

At 31 December 2008

Company	Note	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Profit and loss account £'000	2008 Total £'000	2007 Total £'000
At 1 January		1,754	23,994	–	6,599	32,347	26,893
Loss for the financial year		–	–	–	(66)	(66)	(206)
Dividend paid		–	–	–	(1,894)	(1,894)	(1,507)
Issue of share capital	F	13	2	–	–	15	7,344
Share issue expenses		–	–	–	–	–	(282)
Share option credit taken directly to equity		–	–	–	–	–	105
Employee Benefit Trust shares		–	–	(13)	–	(13)	–
At 31 December		1,767	23,996	–	4,639	30,389	32,347

Notes to the Company Financial Statements

Year ended 31 December 2008

A. Accounting policies

Basis of preparation

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

The financial statements have been prepared on a going concern basis as discussed in the Finance Director's Report and the Corporate Governance section of the annual report.

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Taxation

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

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

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

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

Financial liabilities and equity

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

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

Dividends

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

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

Related party transactions

The Company has taken advantage of the exemption contained in FRS 8, 'Related Party Disclosures', available to parent Company's presenting single company financial statements together with the consolidated Group financial statements of the Group headed by the Company, not to disclose transactions with entities that are part of the group headed by H & T Group plc or investees of the group qualifying as related parties.

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

Cash flow statement

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

Share options

The Company's trading subsidiary, Harvey & Thompson Limited issues share options to employees in that Company, which are equity settled in shares of H & T Group plc. Harvey & Thompson Limited determines the fair value of the options granted measured at the date of grant by use of a Binomial model or a Monte Carlo model depending on the vesting conditions attached to each scheme. This fair value cost of equity-settled awards is recognised on a straight-line basis over the vesting period in the financial statements of Harvey & Thompson Limited, based on the estimate of shares that will eventually vest and adjusted for the effect of any non market-based vesting conditions.

A. Accounting policies (continued)

Share options (continued)

The Company receives a payment each period, equal to the annual expense recorded in Harvey & Thomson Limited calculated on the basis described above. This amount is credited to the profit and loss account each period and is treated in a similar manner to a distribution of dividends from Group companies.

B. Company profit and loss account

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

The Company made a loss after taxation of £66,000 in 2008 (2007: £206,000 loss).

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

No emoluments were paid to the directors by the Company (2007: £nil). The directors were paid by Harvey & Thompson Limited, a subsidiary company of H & T Group plc. Details of their emoluments are shown in note 9 to the Group financial statements. Other than the directors, the Company has no employees in either financial year.

C. Investments

Shares in subsidiary undertakings

	Total £
Cost	
At 1 January 2008 and 31 December 2008	1

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

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

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

D. Debtors

	2008 £'000	2007 £'000
Amounts owed by subsidiary companies	30,395	32,331
Prepayments and accrued income	29	36
	30,424	32,367

E. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Accruals and deferred income	39	21

F. Share capital

Please refer to the Group financial statements of H & T Group plc for details of share capital including shares issued in the year including shares to the Employee Benefit Trust (note 29), and dividends paid and proposed (note 16 and 36).

Store Directory

- Ayr**
114 High Street, KA7 1PQ
Tel: 01292 619 867
- Barking**
27 East Street, IG11 8ER
Tel: 020 8594 6100
- Basildon**
1a Market Pavement, SS14 1DD
Tel: 01268 281 223
- Birkenhead**
The Grange Shopping Centre
26 Borough Pavement, CH41 2XX
Tel: 0151 647 5053
- Birmingham**
10 Ethel Street, B2 4BG
Tel: 0121 632 5166
- Blackburn**
29 Penny Street, BB1 6HQ
Tel: 01254 667 660
- Blackpool**
97-99 Central Drive, FY1 5EE
Tel: 01253 622 039
- Bolton**
13 Newport Street, BL1 1NE
Tel: 01204 385 530
- Bootle**
Unit 115, Strand Shopping Centre, L20 4SU
Tel: 0151 933 7438
- Bow**
575 Roman Road, E3 5EL
Tel: 020 8983 9553
- Bradford**
26 James Street, BD1 3PZ
Tel: 01274 390 675
- Brighton**
4 Castle Square, BN1 1EG
Tel: 01273 326 061
- Burnt Oak**
75 Burnt Oak Broadway, HA8 5EP
Tel: 020 8952 2523
- Bury**
Get>Go, 22 Market Street, BL9 0AJ
Tel: 0161 797 1330
- Catford**
58 Rushey Green, SE6 4JD
Tel: 020 8690 3549
- Chalk Farm**
36 Chalk Farm Road, NW1 8AJ
Tel: 020 7485 2668
- Chatham**
321 High Street, ME4 4BN
Tel: 01634 811 811
- Clapham**
9 Northcote Road, SW11 1NG
Tel: 020 7228 3807
- Clapton**
157 Clapton Common, E5 9AE
Tel: 020 8809 1488
- Clydebank**
25 Sylvania Way South, G81 1EA
Tel: 0141 952 6396
- Corby**
19 Corporation Street, NN17 1NG
Tel: 01536 402 886
- Cosham**
32 High Street, PO6 3BZ
Tel: 02392 389 940
- County Road**
66 County Road, Walton,
Liverpool, L4 3QL
- Coventry**
10a Hales Street, CV1 1JD
Tel: 02476 256 220
- Crawley**
11 Broadwalk, Northgate, RH10 1HJ
Tel: 01293 618 270
- Dagenham**
299 Heathway, RM9 5AQ
Tel: 020 8592 8848
- Dalston**
52 Kingsland High St., E8 2JP
Tel: 020 7254 1788
- Darlington**
23 Skinnergate, DL3 7NW
01325 361 781
- Deptford**
72 Deptford High Street, SE8 4RT
Tel: 020 8692 3092
- Doncaster**
CPJ, 23 High Street, DN1 1DW
Tel: 01302 812 099
- Dudley**
215 Wolverhampton St., DY1 1EF
Tel: 01384 238 577
- Dundee**
116 Seagate, DD1 2ET
Tel: 01382 205 213
- Durham**
The Cheque Shop, 69 North Road,
DH1 4SQ
Tel: 0191 374 1813
- Easterhouse**
Unit 19, Shandwick Square
Shopping Centre
Bogbain Rd, G34 9DT
Tel: 0141 771 8796
- East Kilbride**
10 Princes Mall, G74 1LB
Tel: 01355 232 520
- Edinburgh**
106 Lauriston Place, EH3 9HX
Tel: 0131 229 4448
- Ellesmere Port**
43 Marina Drive,
Port Arcades Shopping Centre,
CH65 0AN
Tel: 0151 357 3176
- Fareham**
119a West Street, PO16 ODY
Tel: 01329 288 838
- Finsbury**
259-261 Seven Sisters Road, N4 2DD
Tel: 020 7272 9249
- Fulham**
224 Northend Road, W14 9NU
Tel: 020 7385 3188
- Gillingham**
169 High Street, ME7 1AQ
Tel: 01634 855 053
- Glasgow**
9-11 Bath Street, G2 1HY
Tel: 0141 332 5637
- Govan**
595 Govan Road, G51 2AS
Tel: 0141 445 1567
- Gravesend**
21 King Street, DA12 2EB
Tel: 01474 363 611
- Great Western**
170 Great Western Road, G4 9AE
Tel: 0141 332 3283
- Greenock**
Unit 3 Hamilton Gate,
Oakmall Shopping Centre, PA15 1JW
Tel: 01475 726 616
- Hammersmith**
134 King Street, W6 0QU
Tel: 020 8563 8585
- Hastings**
18 Queens Road, Hastings, TN34 1QY
Tel: 01424 430 190
- Hounslow**
30 High Street, TW3 1NW
Tel: 020 8570 4626
- Hyde**
Unit 5, The Mall, Clarendon Square
Shopping Centre, SK14 2QT
Tel: 0161 351 7812
- Ilford**
91-93 Cranbrook Road, IG1 4PG
Tel: 020 8514 3334
- Irvine**
1/3 Bridgegate, KA12 8BJ
Tel: 01294 273 823
- Kilmarnock**
25 King Street, KA1 1PT
Tel: 01563 527 748

Kirkby

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

Kirkcaldy

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

Leicester

69 Market Place, LE1 5EL
Tel: 0116 262 4566

Leigh

53 Bradshawgate, WN7 4NB
Tel: 01942 673 012

Leith

Unit 6, Newkirkgate Shopping Centre
EH6 6AA
Tel: 0131 555 3298

Leyton

281 High Road, E10 5QN
Tel: 020 8539 8332

Liverpool

Unit 6, 42-46 Whitechapel, L1 6EF
Tel: 0151 709 2151

Livingston

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

Luton

174 The Arndale Centre, LU1 2TL
Tel: 01582 486 711

Macclesfield

23 Chestergate, SK11 6BX
Tel: 01625 430 699

Newcastle

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

Orpington

Lewins Jewellers, 221 High Street,
BR6 0NZ
Tel: 01689 870 280

Paddington

63 Praed Street, W2 1NS
Tel: 020 7723 5736

Partick

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

Peckham

51 High Street, SE15 5EB
Tel: 020 7703 4547

Poplar

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

Portsmouth

Jenours, 186 Kingston Road, PO2 7LP
Tel: 02392 421 742

Reading

31 Oxford Road, Broad Street Mall,
RG1 7QG
Tel: 0118 959 9946

Rochdale

92 Yorkshire Street, OL16 1JX
Tel: 01706 525 709

Rotherham

CPJ, 81a Wellgate, S60 2NB
Tel: 01709 720 614

Rugby

1 Church Street, CV21 3PH
Tel: 01788 577 110

Runcorn

Unit 119, Halton Lea Shopping Centre,
WA7 2BX
Tel: 01928 796 318

Rutherglen

Unit 3, Mitchell Arcade,
Rutherglen Shopping Centre, G73 2LS
Tel: 0141 647 6040

Salford

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

Sheffield

The Kiosk, 1-13 Angel Street, S3 8LN
Tel: 0114 276 9281

Slough

64 High Street, SL1 1EL
Tel: 01753 693 303

Springburn

Unit 13, Springburn Shopping Centre,
Springburn Way, G21 1TS
Tel: 0141 558 7569

Stirling

33-35 Murray Place, FK8 1DQ
Tel: 01786 478 945

Stockport

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

Stockton

107-108 High Street, TS18 1BB
Tel: 01642 616 005

St. Helens

4 Ormskirk Street, WA10 1BH
Tel: 01744 610 331

Streatham

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

Streford

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

Sunderland

26 Blandford Street, SR1 3JR
Tel: 0191 565 0008

Surrey Quays

196 Lower Road, SE16 2UN
Tel: 020 7231 6177

Sutton

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

Tooting

63 Mitcham Road, SW17 9PB
Tel: 020 8672 5127

Tooting Junction

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

Tuebrook

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

Wallsend

28 High Street East, NE28 8PQ
Tel: 0191 234 5769

Walsall

10a Digbeth Square, WS1 1QU
Tel: 01922 638 501

Walthamstow

234 High Street, E17 7JH
Tel: 020 8521 8156

Walton Vale

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

Walworth

391 Walworth Road, SE17 2AW
Tel: 020 7703 2946

Waterloo

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

Watford

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

Welling

3 Bellegrave Road, DA16 3PA
Tel: 020 8303 3645

Wembley

544 High Road, HA0 2AA
Tel: 020 8795 5811

Wigan

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

Willesden

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

Wolverhampton

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

Wood Green

12 Cheapside, N22 6HH
Tel: 020 8889 9484

Worksop

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

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