# H&T Group plc

“H&T” or “the Group”

## Interim Results for the six months ended 30 June 2007

***H&T Group plc, which trades under the H&T Pawnbrokers and Get>Go brands, is the UK’s leading pawnbroking business by size of pledge book. The Group today announces its Interim Results, for the period ended 30 June 2007.***

## Financial highlights (under IFRS)

| | 6 months to 30 June 2007 £m | 6 months to 30 June 2006 £m | Change % |
|---|---|---|---|
| Gross profit | **12.8** | **10.6** | **+20.9** |
| Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) before exceptional items | **4.6** | **3.7** | **+26.3** |
| Operating profit before exceptional items | **4.0** | **3.1** | **+30.1** |
| Operating profit | **4.0** | **1.2** | **+242.0** |
| Pledge book | **25.6** | **24.3** | **+5.4** |

## Operational highlights

- Interim dividend declared of 1.6p per share payable on 15 October 2007
- Successful placing in May 2007 at 204p raising £7m for store acquisition and expansion programme
- 6 new stores have opened since the beginning of the year giving a current total of 83 stores

John Nichols, Chief Executive, comments:

**“This is an excellent result for the first half of 2007 with all product lines showing double digit growth and gold asset backed lending continuing to prove a success. We are capitalising on the opportunities we described at last year’s IPO, both in terms of revenue growth and development of our store base through new builds and acquisitions. We have also declared an interim dividend of 1.6p per share. Christmas remains a key season for our retail segment so provided current retail conditions continue, we can look forward to the outturn of the full year with confidence.”**

**21 August 2007**

# H&T Group plc

## Enquiries:

| | |
|---|---|
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## H&T Group plc

## Report of the Chief Executive Officer and Finance Director

H&T Group plc is pleased to report a very positive trading performance for the first six months of 2007 ("H1 2007"). Gross profit for H1 2007 was £12.8 million compared with £10.6 million for the first six months of 2006 ("H1 2006"), an increase of 20.9%. Earnings before interest, tax, depreciation and amortisation ("EBITDA") before exceptional items rose by 26.3% from £3.7 million in H1 2006 to £4.6 million in H1 2007.

The directors have approved a 1.6p interim dividend (nil pence last year). This will be payable on 15 October 2007 to all shareholders on the register at the close of business on 14 September 2007.

In May 2007, H&T completed the placing of 3.6 million new ordinary shares to existing shareholders, all leading UK institutions, and provides the Group with £7 million of additional finance for its store expansion programme.

In accordance with the AIM Rules for Companies, this is the first period when H&T will use International Financial Reporting Standards ("IFRS") accounting standards rather than UK Generally Accepted Accounting Practices ("UK GAAP") as the basis to report its financial results. This transition may lead to some differences between reported numbers under IFRS and UK GAAP that are simply a result of the accounting framework change and are not a reflection of a change in business performance.

Pawnbroking activities, comprising Pawn Service Charge and Disposition, performed well in the first six months of 2007 with gross profit increasing by 16.2% on the equivalent period last year, driven by an increase in pledge book yield. The jewellery retail element has experienced growth in both revenue (21.6%) and gross margin (39.1%) between H1 2006 and H1 2007.

The financial services segment's gross profit increased by 63.0% between H1 2006 and H1 2007; this strong performance was driven by growth across the financial services product range including cheque cashing, pay day advance and KwikLoan.

In line with the Group's growth strategy, H&T has continued to grow its store estate with two new stores opening in the first half of 2007. Since 30 June 2007, the Group has acquired an additional four stores. Taking into consideration these six new stores H&T currently operates through 83 stores across the United Kingdom.

# H&T Group plc

## Operational review

**Pawnbroking:**

- Pawnbroking activities contributed £11.1 million (H1 2006: £9.5 million) or 87% of the Group gross profit in H1 2007 (H1 2006: 90%).
- The Group's pledge book was £25.6 million at 30 June 2007 (£24.3 million at 30 June 2006).
- Pawn Service Charge rose to £8.4 million in H1 2007, an increase of 10.8% on H1 2006 (£7.6 million).
- Disposition combines contributions from both the retail and scrap operations. The retail segment recovery experienced in H2 2006 continued in the first half of 2007 with retail gross revenues up by 21.6% on H1 2006 (12.9% on a like for like basis). The improvement in the retail gross profit margin in 2006 continued in H1 2007 with the retail gross profit margin rising from 39.8% in H1 2006 to 45.6% in H1 2007. This translated in an increase in retail gross profit of 39.1%, from £1.4 million in H1 2006 to £2.0 million in H1 2007. Scrap gross profit increased by £0.2 million between H1 2006 and H1 2007, driven by higher volume of scrap sales.

**Financial services**:

- In H1 2007, the Group financial services activities contributed £1.7 million (H1 2006: £1.1 million) or 13% of the Group's gross profit (H1 2006: 10%).
- The transition to in-house facilities for the underwriting of cheque cashing and pay day advances implemented in early 2006 has enabled H&T to drive both volumes and margins. The cheque cashing and pay day advance gross profit increased from £1.0 million in H1 2006 to £1.6 million in H1 2007, an increase of 60%.
- KwikLoan, the Group's unsecured loan product, doubled its loan book from £0.3 million at 30 June 2006 to £0.6 million at 30 June 2007 (£0.4 million at 31 December 2006). The pre-paid debit card product continues to attract new customers to the stores although the general market awareness of the product has taken longer to develop than anticipated. As a result, the pre-paid debit card operation has made only a small contribution to the Group's H1 2007 results. However, the H&T Group Board believes there is further potential in this product driven by the increased convenience it grants to the consumer.

# H&T Group plc

## Strategy review

**Update on business acquisitions**

On 16 May 2007, the Group announced the placing of 3.6 million new ordinary shares to finance the expansion of its store estate, in particular to fund the cash element of acquisitions and the working capital required to grow these businesses. At the time of the placing, H&T had already acquired a store in Willesden, which was subsequently relocated to a nearby H&T store, and a store in Wolverhampton. The contribution of these two new stores to the H1 2007 results was limited due to the timing of their acquisitions (mid May 2007). Four stores for which key terms and exclusivity had been agreed in May 2007 were acquired on 20 August 2007.

Exclusivity terms have been signed for a further 6 stores and completions are expected to take place between September and November 2007 and terms are being progressed on further opportunities.

**Update on Greenfield sites**

The Group opened one Greenfield store in H1 2007 (one in H1 2006) in Watford. Leases have been signed in respect of four further sites and subject to planning consents these stores will be opened during the second half of 2007.

**Update on new point of sale development**

The development of the replacement point of sale system for the business remains within budget and the full roll out is expected in the second half of 2007 as planned.

**Trading outlook**

The Board is pleased with the overall trading performance of the Group which remains in line with expectations.

Seasonality within the business means that the second half of the year tends to make a larger contribution to the full year result than the first half. The extent of the impact of seasonality is affected by retail sentiment, particularly during the Christmas period. The business has good prospects for growth driven by a combination of further branch openings in the second half of the year together with recent and scheduled store acquisitions.

# H&T Group plc

## Financial review

The financial results provided in the main body of this report have been prepared using IFRS. For information only, we have included in the appendix the Group's financial results under pro-forma UK GAAP and a reconciliation between the pro-forma UK GAAP and IFRS. We should also point readers to the Group's report on the impact of IFRS (relative to UK GAAP) on H&T's results released on 1 August 2007 and accessible on the Group's website (www.handtgroup.co.uk).

**Turnover and gross profit**

Turnover for the first six months of 2007 amounted to £17.3 million compared with £14.5 million for the corresponding period in 2006; a 19.5% increase driven by strong growth across all of the Group's activities. The improvement in retail gross margin together with the growth in Pawn Service Charge and financial services resulted in H1 2007 total gross profit of £12.8 million, an increase of 20.9% on H1 2006 (£10.6 million).

**Administrative expenses**

The Group's administrative expenses before exceptional items increased from £7.5 million in H1 2006 to £8.8 million in H1 2007. The increase was mainly due to the higher number of stores owned by the Group (additional ten stores), the development of the authorisations and collections back office and cost inflation. There were no exceptional expenses in H1 2007 while £1.9 million were incurred as part of the Initial Public Offer ("IPO") in H1 2006.

**Operating profit**

The Group recorded an operating profit before exceptional items of £4.0 million for H1 2007 compared with £3.1 million in H1 2006. Earnings before interest, taxation, depreciation, amortisation and exceptional items increased by 26.3% between H1 2006 (£3.7 million) and H1 2007 (£4.6 million). After taking account of the exceptional items, operating profit in H1 2007 was £4.0 million compared with £1.2 million in H1 2006.

**Other gains**

The Group disposed of a freehold property in H1 2007 resulting in an exceptional gain of £0.2 million (£nil in H1 2006).

**Finance costs and similar charges**

Finance costs before exceptional items decreased by £1.1 million from £2.5 million in H1 2006 to £1.4 million in H1 2007. This reduction resulted from the repayment of the Rutland loan notes and the restructuring of bank facilities at the time of the Group's admission to AIM in May 2006. The financial restructuring in 2006 incurred an exceptional charge of £0.8 million. Had this restructuring and IPO been effective from the beginning of 2006, the Board estimates that the interest payable before exceptional items would have been £1.6 million for H1 2006.

Under IFRS, movements in the fair value of the Group's interest rate swap are recognised in the income statement. As a result, the Group recorded changes in the fair value of the instrument amounting to income of £0.5 million in H1 2007 compared with income of £0.2 million in H1 2006.

# Financial review (continued)

### Profit/(loss) before taxation

The Group recorded a profit before taxation of £3.3 million in H1 2007 compared with a loss before taxation of £1.9 million in H1 2006. In H1 2006, the Group incurred £2.7 million exceptional costs compared with £0.2 million of exceptional profit in H1 2007. Profit before taxation, fair value hedge accounting and exceptional items in H1 2007 was £2.6 million compared with £0.6 million in H1 2006. Profit before taxation and exceptional items in H1 2007 was £3.1 million compared with £0.8 million in H1 2006.

### Earnings/(loss) per share

Basic earnings per share for H1 2007 was 7.15 pence compared with basic loss per share of 7.99 pence in H1 2006. After adjusting for exceptional items, adjusted basic earnings per share for H1 2007 was 6.64 pence compared with 1.81 pence in H1 2006.

### Dividends

The directors have approved a 1.6p interim dividend (nil pence last year) payable on the 15 October 2007. In June 2007, the Group paid a 3p final dividend for the 2006 financial year results.

## Interim Financial Statements

## Unaudited consolidated income statement
## For the 6 months ended 30 June 2007

| | Note | 6 months ended 30 June 2007 | | | 6 months ended 30 June 2006 | | |
|---|---|---|---|---|---|---|---|
| | | Before Exceptional Items Unaudited £'000 | Exceptional Items (Note 4) Unaudited £'000 | Total Unaudited £'000 | Before Exceptional Items Unaudited £'000 | Exceptional Items (Note 4) Unaudited £'000 | Total Unaudited £'000 |
| **Continuing operations** | | | | | | | |
| Revenue | | 17,269 | - | 17,269 | 14,453 | - | 14,453 |
| Cost of sales | | (4,459) | - | (4,459)) | (3,856) | - | (3,856) |
| **Gross profit** | | **12,810** | **-** | **12,810** | **10,597** | **-** | **10,597** |
| Administrative expenses | | (8,827) | - | (8,827) | (7,534) | (1,896) | (9,430) |
| **Operating profit** | | **3,983** | **-** | **3,983** | **3,063** | **(1,896)** | **1,167** |
| Depreciation and amortisation | **3** | (664) | - | (664) | (620) | - | (620) |
| **EBITDA*** | | 4,647 | - | 4,647 | 3,683 | (1,896) | 1,787 |
| Investment revenues | | 8 | - | 8 | 11 | - | 11 |
| Other gains and losses | **4** | - | 196 | 196 | - | - | - |
| Finance costs | **7** | (1,409) | - | (1,409) | (2,479) | (800) | (3,279) |
| Movement in fair value of interest rate swap | | 481 | - | 481 | 229 | - | 229 |
| **Profit/(loss) before taxation** | | **3,063** | **196** | **3,259** | **824** | **(2,696)** | **(1,872)** |
| Tax on profit/(loss) | **5** | (947) | (36) | (983) | (399) | 400 | 1 |
| **Profit/(loss) for the period** | | **2,116** | **160** | **2,276** | **425** | **(2,296)** | **(1,871)** |
| Earnings/(loss) per ordinary share - basic | **6** | | | 7.15 p | | | (7.99) p |
| Earnings/(loss) per ordinary share - diluted | **6** | | | 7.14 p | | | (7.99) p |

*EBITDA: Earnings before Interest, Tax, Depreciation and Amortisation

The consolidated income statement for the 12 months ended 31 December 2006 is provided in note 2.

## Unaudited consolidated statement of changes in equity
## For the 6 months ended 30 June 2007

| | Note | 6 m ended 30 J 2007 Unaudited £'000 | 6 months ended 30 June 2006 Unaudited £'000 | 12 months ended 31 December 2006 Audited £'000 |
|---|---|---|---|---|
| **Opening total equity** | | 19,606 | 498 | 498 |
| Profit/(loss) for the period | | 2,276 | (1,871) | 1,002 |
| Dividend paid | **10** | (945) | - | - |
| Deferred tax credit on share based payments taken directly to equity | | - | - | 400 |
| **Total of recognised income and expense for the period** | | **20,937** | **(1,373)** | **1,900** |
| Issue of new shares | **8** | 7,063 | 17,687 | 17,687 |
| Share option charge taken directly to equity | | 44 | - | 19 |
| **Closing total equity** | | **28,044** | **16,314** | **19,606** |

# Unaudited consolidated balance sheet
# At 30 June 2007

| | Note | At 30 June 2007 Unaudited £'000 | At 30 June 2006 Unaudited £'000 | At 31 December 2006 Audited £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | | 15,300 | 14,346 | 14,899 |
| Other intangible assets | | 1,216 | 554 | 804 |
| Property, plant and equipment | | 5,594 | 4,825 | 5,396 |
| | | 22,110 | 19,725 | 21,099 |
| **Current assets** | | | | |
| Inventories | | 6,290 | 4,442 | 4,237 |
| Trade and other receivables | | 33,198 | 30,908 | 31,869 |
| Assets held for sale | | - | 58 | 37 |
| Cash and cash equivalents | | 1,368 | 1,220 | 2,108 |
| Derivative financial instruments | | 614 | - | 133 |
| | | 41,470 | 36,628 | 38,384 |
| **Current liabilities** | | | | |
| Trade and other payables | | (3,322) | (3,843) | (3,510) |
| Current tax liabilities | | (857) | (50) | (88) |
| Bank overdrafts and loans | | (2,860) | (1,043) | (1,255) |
| Derivative financial instruments | | - | (199) | - |
| | | (7,039) | (5,135) | (4,853) |
| **Net current assets** | | **34,431** | **31,493** | **33,531** |
| **Non-current liabilities** | | | | |
| Borrowings | | (28,034) | (34,846) | (34,617) |
| Deferred tax liabilities | | (463) | (58) | (407) |
| | | (28,497) | (34,904) | (35,024) |
| **Total liabilities** | | (35,536) | (40,039) | (39,877) |
| **Net assets** | | **28,044** | **16,314** | **19,606** |
| **EQUITY** | | | | |
| Share capital | **8** | 1,754 | 1,574 | 1,574 |
| Share premium | | 23,995 | 17,113 | 17,112 |
| Share option reserve | | 63 | - | 19 |
| Retained earnings | | 2,232 | (2,373) | 901 |
| **Total equity** | | **28,044** | **16,314** | **19,606** |

## Unaudited consolidated cash flow statement
## For the 6 months ended 30 June 2007

| | 6 months ended 30 June 2007 Unaudited £'000 | 6 months ended 30 June 2006 Unaudited £'000 | 12 months ended 31 December 2006 Unaudited £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the period | 2,276 | (1,871) | 1,002 |
| Adjustments for: | | | |
| Investment revenues | (8) | (11) | (27) |
| Other gains and losses | (196) | - | (46) |
| Finance costs | 1,409 | 3,279 | 4,737 |
| Movement in fair value of interest rate swap | (481) | (229) | (561) |
| Income tax expense | 983 | 1 | 1,035 |
| Depreciation of property, plant and equipment | 623 | 526 | 1,154 |
| Amortisation of intangible assets | 41 | 94 | 204 |
| Share based payment expense | 44 | - | 19 |
| Profit on disposal of fixed assets | (8) | (7) | (12) |
| Operating cash flows before movements in working capital | 4,683 | 1,782 | 7,505 |
| Increase in inventories | (1,772) | (939) | (734) |
| (Increase)/decrease in receivables | (898) | 456 | (298) |
| (Decrease)/increase in payables | (195) | 1,721 | 1,152 |
| Cash generated from operations | 1,818 | 3,020 | 7,625 |
| Income taxes paid | (158) | (150) | (291) |
| Debt restructuring cost | - | (800) | (801) |
| Interest paid | (1,287) | (1,299) | (6,787) |
| **Net cash from/(used by) operating activities** | 373 | 771 | (254) |
| **Investing activities** | | | |
| Interest received | 8 | 11 | 27 |
| Proceeds on disposal of property, plant and equipment | 260 | 42 | 118 |
| Purchases of property, plant and equipment | (1,021) | (1,462) | (2,642) |
| Acquisition of trade and assets of businesses | (1,377) | - | (1,013) |
| **Net cash used in investing activities** | (2,130) | (1,409) | (3,510) |
| **Financing activities** | | | |
| Dividends paid | (945) | - | - |
| Repayments of borrowings | (6,450) | (23,663) | (19,500) |
| Increase in borrowings | - | 6,400 | 6,251 |
| Proceeds on issue of shares | 7,063 | 17,687 | 17,687 |
| Increase in bank overdrafts | 1,349 | - | - |
| **Net cash from financing activities** | 1,017 | 424 | 4,438 |
| **Net (decrease)/increase in cash and cash equivalents** | (740) | (214) | 674 |
| **Cash and cash equivalents at beginning of period** | 2,108 | 1,434 | 1,434 |
| **Cash and cash equivalents at end of period** | 1,368 | 1,220 | 2,108 |

# Notes to the Interim Financial Report

## Note 1 Basis of preparation

The AIM rules require that the next annual consolidated financial statements of the Group for the year ending 31 December 2007, be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The company published its statement on the impact of the adoption of IFRS on 1 August 2007 which is available on the company website at www.handtgroup.co.uk and the financial information presented in that document has been used as the comparative information for the year ended 31 December 2006 and the period ended 30 June 2006.

The directors have applied the same accounting policies, as set out in the document on the impact of the adoption of IFRS, which they expect to apply when the first annual IFRS financial statements are prepared for the year ended 31 December 2007. This documented was audited by Deloitte & Touche LLP, the Group auditors. The document, which includes their audit opinions on the IFRS opening consolidated balance sheet as at 1 January 2006, and the IFRS consolidated balance sheet as at 31 December 2006 is available from www.handtgroup.co.uk.

The comparative figures for the year ended 31 December 2006 or for the period ended 30 June 2006 do not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. A copy of the statutory accounts for the year 31 December 2006, prepared under UK GAAP, has been delivered to the Registrar of Companies and contained an unqualified auditors' report which made no statement under sections 237(2) or (3) of the Companies Act 1985.

This interim financial report is unaudited.

## Note 2 Consolidated income statement for the year ended 31 December 2006

| | Note | Before Exceptional Items Audited £'000 | Exceptional Items (Note 4) Audited £'000 | Total Audited £'000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | | 32,115 | - | 32,115 |
| Cost of sales | | (8,787) | - | (8,787) |
| **Gross profit** | | 23,328 | - | 23,328 |
| Administrative expenses | | (15,285) | (1,903) | (17,188) |
| **Operating profit** | | **8,043** | **(1,903)** | **6,140** |
| Depreciation and amortisation | **3** | (1,358) | - | (1,358) |
| **EBITDA** | | 9,401 | (1,903) | 7,498 |
| Investment revenues | | 27 | - | 27 |
| Other gains and losses | **4** | - | 46 | 46 |
| Finance costs | **7** | (3,936) | (801) | (4,737) |
| Movement in fair value of interest rate swap | | 561 | - | 561 |
| **Profit before taxation** | | **4,695** | **(2,658)** | **2,037** |
| Tax on profit | **5** | (1,421) | 386 | (1,035) |
| **Profit for the financial year** | | **3,274** | **(2,272)** | **1,002** |
| Earnings per ordinary share - basic | **6** | | | 3.65 |
| Earnings per ordinary share - diluted | **6** | | | 3.65 |

# Notes to the Interim Financial Report (continued)

## Note 3 Depreciation and amortisation

Operating profit is stated after charging:

| | 6 months ended 30 June 2007 Unaudited £'000 | 6 months ended 30 June 2006 Unaudited £'000 | Year ended 31 December 2006 Audited £'000 |
|---|---|---|---|
| Depreciation on property, plant and equipment | 623 | 526 | 1,154 |
| Amortisation charge on intangible assets | 41 | 94 | 204 |
| | 664 | 620 | 1,358 |

## Note 4 Exceptional items

During the first 6 months of 2007, the Group disposed of one freehold property (6 months ended 30 June 2006: nil and year ended 31 December 2006: one which was leased back as an operating lease) generating a profit of £196,000 (6 months ended 30 June 2006: £nil and year ended 31 December 2006: £46,000).

During the first 6 months of 2006, the Group incurred a charge of £1,896,000 (6 months ended 30 June 2007: £nil and year ended 31 December 2006: £1,903,000) as part of administrative expenses relating to the Initial Public Offering (IPO) and £800,000 (6 months ended 30 June 2007: £nil and year ended 31 December 2006: £801,000) as part of finance costs relating to the restructuring of the bank facilities held by the Group following the IPO.

## Note 5 Taxation

The taxation charge for the 6 months ended 30 June 2007 has been calculated by reference to the expected effective corporation tax and deferred tax rates for the full financial year to end on 31 December 2007. The underlying effective full year tax charge is estimated to be 30.1% (6 months ended 30 June 2006: 48.4% and year ended 31 December 2006: 30.3%).

## Note 6 Earnings/(loss) per share

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

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

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

# Notes to the Interim Financial Report (continued)

## Note 6 Earnings/(loss) per share (continued)

Reconciliations of the earnings/(loss) per ordinary share and weighted average number of shares used in the calculations are set out below:

| | Unaudited 6 months ended 30 June 2007 | | | Unaudited 6 months ended 30 June 2006 | | | Audited Year ended 31 December 2006 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Earnings £'000 | Weighted average number of shares | Per-share amount pence | (Loss)/ earnings £'000 | Weighted average number of shares | Per-share amount pence | Earnings £'000 | Weighted average number of shares | Per-share amount pence |
| **Earnings/(loss) per share basic** | 2,276 | 31,863,607 | 7.15 | (1,871) | 23,426,675 | (7.99) | 1,002 | 27,489,310 | 3.65 |
| **Effect of dilutive securities** | | | | | | | | | |
| Options | - | 57,538 | (0.01) | - | - | - | - | 388 | - |
| **Earnings/(loss) per share diluted** | 2,276 | 31,921,145 | 7.14 | (1,871) | 23,426,675 | (7.99) | 1,002 | 27,489,698 | 3.65 |
| **Earnings/(loss) per share - basic** | 2,276 | 31,863,607 | 7.15 | (1,871) | 23,426,675 | (7.99) | 1,002 | 27,489,310 | 3.65 |
| IPO costs | - | - | - | 1,896 | - | 8.09 | 1,903 | - | 6.92 |
| Fixed assets disposal | (196) | - | (0.62) | - | - | - | (46) | - | (0.17) |
| Debt issue costs | - | - | - | 800 | - | 3.41 | 801 | - | 2.91 |
| Tax adjustment | 36 | - | 0.11 | (400) | - | (1.70) | (386) | - | (1.40) |
| **Adjusted earnings per share - basic** | 2,116 | 31,863,607 | 6.64 | 425 | 23,426,675 | 1.81 | 3,274 | 27,489,310 | 11.91 |
| **Effect of dilutive securities** | | | | | | | | | |
| Options | - | 57,538 | (0.01) | - | - | - | - | 388 | - |
| **Adjusted earnings per share - diluted** | 2,116 | 31,921,145 | 6.63 | 425 | 23,426,675 | 1.81 | 3,274 | 27,489,698 | 11.91 |

## Note 7 Finance costs

| | 6 months ended 30 June 2007 Unaudited £'000 | 6 months ended 30 June 2006 Unaudited £'000 | Year ended 31 December 2006 Audited £'000 |
|---|---|---|---|
| Interest payable on bank loans and overdraft | 1,265 | 1,360 | 2,684 |
| On loan notes | - | 896 | 896 |
| Other interest | 22 | 15 | 16 |
| Amortisation of debt issue costs | 122 | 208 | 340 |
| | 1,409 | 2,479 | 3,936 |
| Exceptional items – note 4 | - | 800 | 801 |
| **Total finance costs** | **1,409** | **3,279** | **4,737** |

## Notes to the Interim Financial Report (continued)

### Note 8 Share capital

| | At 30 June 2007 Unaudited £ | At 30 June 2006 Unaudited £ | At 31 December 2006 Audited £ |
|---|---|---|---|
| **Authorised** | | | |
| **(Ordinary Shares of £0.05 each)** | | | |
| £ Sterling | 2,098,500 | 2,098,500 | 2,098,500 |
| Number | 41,970,000 | 41,970,000 | 41,970,000 |
| **Allotted, called up and fully paid** | | | |
| **(Ordinary Shares of £0.05 each)** | | | |
| £ Sterling | 1,754,285 | 1,574,285 | 1,574,285 |
| Number | 35,085,706 | 31,485,706 | 31,485,706 |

The reconciliation of the movement in share capital and share premium account is set out below:

| | Share capital Unaudited £'000 | Share premium account Unaudited £'000 | Total share capital Unaudited £'000 |
|---|---|---|---|
| At 1 January 2006 | 1,000 | - | 1,000 |
| Issue of share capital | 574 | 17,790 | 18,364 |
| Issue expenses | - | (677) | (677) |
| At 30 June 2006 | 1,574 | 17,113 | 18,687 |
| Issue expenses | - | (1) | (1) |
| At 31 December 2006 | 1,574 | 17,112 | 18,686 |
| Issue of share capital | 180 | 7,164 | 7,344 |
| Issue expenses | - | (281) | (281) |
| At 30 June 2007 | 1,754 | 23,995 | 25,749 |

# Notes to the Interim Financial Report (continued)

## Note 9 Business combinations

The Group made the following acquisitions during the period:

| | Acquisition 1 | Acquisition 2 | Total 6 months ended 30 June 2007 | Total 6 months ended 30 June 2006 | Total year ended 31 December 2006 |
|---|---|---|---|---|---|
| | | | **Unaudited** | **Unaudited** | **Audited** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Assets acquired:** | | | | | |
| Intangible assets | 74 | 175 | 249 | - | 163 |
| Property, plant and equipment | - | 15 | 15 | - | - |
| Retail inventory | - | 281 | 281 | - | - |
| Current trade and other receivables | 142 | 289 | 431 | - | 297 |
| Cash and cash equivalent | - | 18 | 18 | - | 7 |
| Total assets acquired | 216 | 778 | 994 | - | 467 |
| **Consideration:** | | | | | |
| Cash | 236 | 1,159 | 1,395 | - | 1,020 |
| Total consideration | 236 | 1,159 | 1,395 | - | 1,020 |
| **Goodwill** | **20** | **381** | **401** | **-** | **553** |

The Group will present further disclosures with respect to the acquisition as required by IFRS 3, "Business Contributions", in the financial statements for the year ending 31 December 2007.

## Note 10 Dividends

On 16 May 2007, the shareholders approved the payment of a 3.0p final dividend for 2006 which equates to a dividend payment of £945,000. The dividend was paid on 4 June 2007.

On 21 August 2007, the directors approved a 1.6p interim dividend (30 June 2005: nil pence) which equates to a dividend payment of £563,000 (30 June 2006: £nil). The dividend will be paid on 15 October 2007 to shareholders on the share register at the close of business on 14 September 2007and has therefore not been provided for in the 2007 interim results.

# H&T Group plc

## Appendix 1

**Reconciliation of proforma UK GAAP* to IFRS**

| **Six months ended 30 June 2007 (unaudited)** | **Profit before tax £'000** | **Tax £'000** | **Profit after tax £'000** |
|---|---|---|---|
| **Proforma UK GAAP *** | **2,688** | **(961)** | **1,727** |
| IAS 12 Deferred tax on business combinations | - | 28 | 28 |
| IAS 17 Lease incentives | (1) | - | (1) |
| IAS 19 Holiday pay accrual | (229) | 69 | (160) |
| IAS 38 Intangible assets amortisation | (24) | - | (24) |
| IAS 39 Interest receivable recognition | (59) | 18 | (41) |
| IAS 39 Interest hedging fair value | 481 | (137) | 344 |
| IFRS 3 Business combinations: reversal of goodwill amortisation | 403 | - | 403 |
| **IFRS** | **3,259** | **(983)** | **2,276** |

| **Six months ended 30 June 2006 (unaudited)** | **Loss before tax £'000** | **Tax £'000** | **Loss after tax £'000** |
|---|---|---|---|
| **Proforma UK GAAP *** | **(2,307)** | **(8)** | **(2,315)** |
| IAS 12 Deferred tax on business combinations | - | 25 | 25 |
| IAS 17 Lease incentives | 11 | (3) | 8 |
| IAS 19 Holiday pay accrual | (199) | 60 | (139) |
| IAS 39 Interest receivable recognition | (25) | 7 | (18) |
| IAS 39 Interest hedging fair value | 229 | (69) | 160 |
| IFRS 3 Business combinations: reversal of goodwill amortisation | 384 | - | 384 |
| Change in accounting policy for stock | 35 | (11) | 24 |
| **IFRS** | **(1,872)** | **1** | **(1,871)** |

| **Year ended 31 December 2006 (audited)** | **Profit before tax £'000** | **Tax £'000** | **(Loss)/profit after tax £'000** |
|---|---|---|---|
| **Proforma UK GAAP *** | **669** | **(903)** | **(234)** |
| IAS 12 Deferred tax on business combinations | - | 48 | 48 |
| IAS 17 Lease incentives | 15 | (5) | 10 |
| IAS 19 Holiday pay accrual | - | - | - |
| IAS 38 Intangible assets amortisation | (9) | - | (9) |
| IAS 39 Interest receivable recognition | (15) | 4 | (11) |
| IAS 39 Interest hedging fair value | 561 | (168) | 393 |
| IFRS 3 Business combinations: reversal of goodwill amortisation | 779 | - | 779 |
| Change in accounting policy for stock | 37 | (11) | 26 |
| **IFRS** | **2,037** | **(1,035)** | **1,002** |

* The UK GAAP applied in this appendix to prepare the proforma UK GAAP figures above is defined as that which was applicable to the Group's UK GAAP statutory financial statements for the year ended 31 December 2006.