



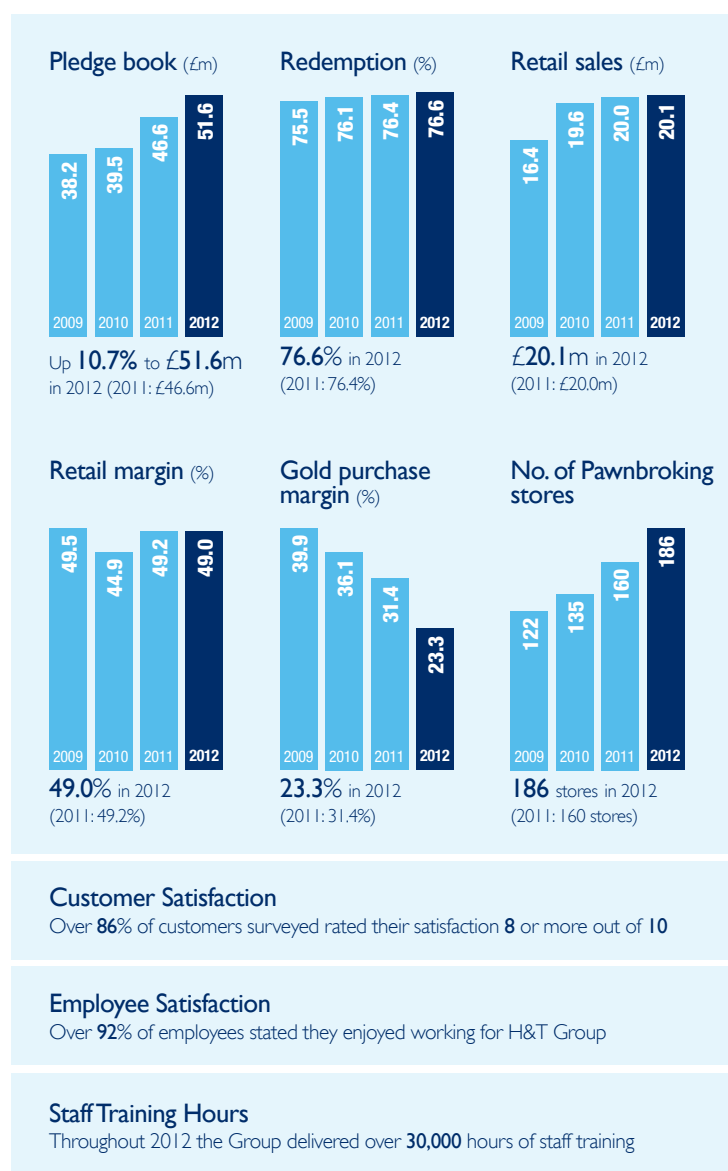
# The UK's **leading** pawnbroker

Building value in our local communities

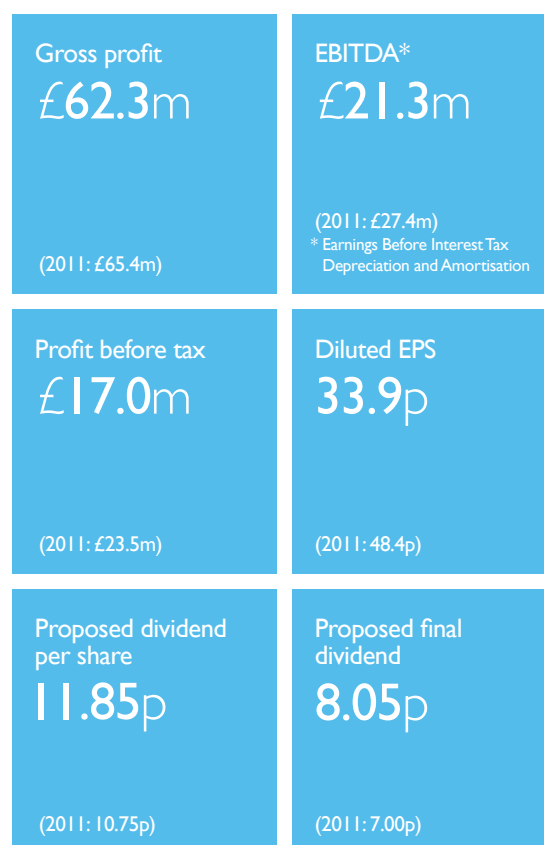


**H&T** provides a range of simple and accessible financial products tailored for a customer base who have limited access to, or are excluded from, the traditional banking and finance sector.

## KEY PERFORMANCE INDICATORS



## FINANCIAL HIGHLIGHTS 2012



### Cautionary statement

This annual report of H&T Group plc ("H&T", "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.



**Expansion in the store estate** 26 new stores added during the year; taking our national footprint to 186 new stores.



**Excellent store standards** High standards in stores both in staff, customer service and the physical environment.



**Local community** Staff raising local awareness and engagement at the Lambeth Show in London.



**Helping Hand** TV advertisement showcasing our corporate mascot – the Helping Hand.

## OVERVIEW

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## CHAIRMAN'S STATEMENT

I am pleased to announce that with continued growth in its core pawnbroking operations, the Group has become the first UK pawnbroker to grow its pledge book in excess of £50m. The Group made over £100m of pawnbroking loans during 2012 and further invested in the store estate, with an additional 26 pawnbroking stores added in the year. This takes the Group estate to 186 pawnbroking outlets and 24 GoldBar retail mall units as at the year-end.

### ECONOMIC AND MARKET BACKGROUND

The UK consumer credit market is one of the largest in Europe. It is estimated that in October 2012, total outstanding debt was £156bn, the vast majority of which is derived from mainstream credit sources such as credit cards, overdrafts and personal loans. Following the financial crisis, the availability of consumer credit has however substantially reduced – estimated to have fallen by 33% as a proportion of GDP in real terms.

Consequently, an estimated 10 million people in the UK now have no access to traditional credit sources and the non-mainstream market – including pawnbroking, payday loans and home credit – is the fastest growing within the consumer credit sector. Tightening credit availability, several years of low earnings inflation and pressure on disposable incomes has further increased consumer demand for credit to assist in managing short term cash flows and in meeting day to day living expenses.

Leading non-mainstream credit providers have reacted in recent years by increasing their presence whether by expanding high street outlets or by increased marketing spend for online distribution. The pawnbroking industry has been no exception, and is becoming an increasingly well recognised and attractive proposition both to the growing unbanked market and other customers we serve.

### STRATEGY

Our Group aims to meet this demand by offering immediate access to cash from convenient high street locations, as well as an online offering. We strive to be the UK's pawnbroker of choice, facilitating customers' financial needs by offering loans secured against high quality jewellery and watches. By building close relationships and lending responsibly we aim to facilitate high redemption rates and high levels of repeat business.

The retail of quality jewellery attracts customers, informs them of the collateral we seek for pawnbroking and generates good margins on the disposition of forfeited items. The Board believes that these core business streams, together with



small ticket unsecured lending and the purchasing of gold at a retail level, provide a resilient business model through the economic cycle.

### FINANCIAL PERFORMANCE

The Group delivered £17.0m of profit before tax in 2012, down from £23.5m in 2011. A fall in gold purchasing profits accounted for the majority of this decline, together with the increased cost base associated with the store expansion programme. The Board has always expressed its view that the high level of profits from gold purchasing has been a short term opportunity rather than a core earnings stream.

Most importantly I am pleased to report continuing growth in the Group's pledge book. With a significant contribution from new store openings and aided by the Group's decision to attract larger loans by stratifying its interest rates charged, the year-end pledge book has grown to £51.6m (2011: £46.6m). This gave rise to a 6.3% increase in the Group's core earnings stream, the Pawn Service Charge.

A further 22 pawnbroking sites were opened in the year, together with £2.3m spent on 6 acquisitions. The Group also exercised break clauses on two stores. The Group's financial position remains strong with net debt of £27.6m as at 31 December 2012. In January 2013 the Group completed a refinancing on improved terms of its debt facilities, and has secured a new four year £50m facility with Lloyds TSB Bank plc.

Basic earnings per share are 35.92 pence (2011: 51.12 pence).

### DIVIDEND

Subject to shareholder approval, a final gross dividend of 8.05 pence per ordinary share (2011: 7.00 pence) will be paid on 7 June 2013 to shareholders on the register at the close of business on 10 May 2013. The shares will be marked ex-dividend on 8 May 2013. This will bring the full year dividend to 11.85 pence per ordinary share. This represents an increase of 10.2% over the 2011 total dividend of 10.75 pence.





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1. Staff help a customer choose a new piece of jewellery
2. Kingston upon Thames store
3. Example of store retail offering
4. Local area marketing



The growth in dividend reflects the Group's strong balance sheet position at the year-end and current earnings cover available.

**PROSPECTS**

Reflected in the changing make-up of the UK's high streets, alternative credit providers have dramatically increased their footprints in recent years. This increased competition, lower returns from gold purchasing and a degree of cross over of business models is likely to slow the rate of expansion and in the Board's view drive medium term consolidation in the industry. In addition, there may be regulatory changes that adversely impact on the operations of those Payday Loan providers who do not follow best practice. Given that the demand for alternative credit is unlikely to decline in the medium term, we believe that this presents a significant opportunity for the Group to expand its asset base at attractive margins.

Our Group will continue to expand its footprint albeit at a slower rate than in the last few years. Focus is expected to be biased toward exploiting new opportunities and in-filling in key markets,

thus gaining operational efficiencies. The Group also expects to use the strength of its balance sheet to make acquisitions. To date in 2013, the Group has converted three GoldBar units into pawnbroking stores and acquired three pawnbroking stores, taking our total estate to 192 stores.

The Group's recent new store openings continue to grow their pledge books in line with the Board's initial expectations. The Group has now opened 58 greenfield sites within the last three years and is confident of a significantly increased pawnbroking contribution from these stores over the medium term. For the remainder of the estate, focus in 2013 will be to maintain our customer count in the face of increased high street competition both from other pawnbrokers and with gold purchasing as an additional choice for consumers. With continued strong demand for alternative credit, the Group is investing in the development and expansion of both its secured and unsecured product base with the strategic aim of being able to widen lending criteria.

Key to achieving these aims is the loyalty of our customers; this is achieved through the hard work of our staff, whom I thank on behalf of the Board and shareholders for delivering these results. I would also like to extend my greatest of gratitudes to Andrew Brown, who after nearly 6 years of dedicated service as a non-Executive Director; has now taken retirement. In his place, I warmly welcome James Thornton, who with more than 15 years of experience in the UK financial services industry will be a valuable addition to the Group.

Peter D McNamara  
Chairman

## THE BUSINESS AT A GLANCE

As at 31 December 2012, H&T was the largest pawnbroking business in the UK by size of pledge book.

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 a net 117 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.



### Gold purchasing

H&T buy jewellery direct from customers through all of our shops and more recently through our GoldBar units located in shopping centres throughout England and Scotland. Gold buying is now widely understood across the UK and a key part of H&T's success has been to capture this heightened profile and to drive significant increases in volume in recent years.

The transaction is simple with the store agreeing a price with the customer and purchasing the goods for cash on the spot.



### Payday Advance

A Payday Advance (PDA) loan, offered both in stores and online, 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 the costs are similar to a number of high street facilities. Customers can secure a loan of up to £650 either by writing a cheque to the value of the loan plus a 15% charge, or by giving their debit card details and agreeing a date for repayment of loan and associated interest. The provision of Payday Advance loans contribute a small part of our gross profit but offers customers a suitable alternative if they don't have an asset to use as security.



## 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.



## Cheque cashing

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 and watches sourced from our pledge book, purchased over the counter or purchased from suppliers. The majority of items sold are from forfeited items and all are professionally cleaned and restored at the Group's refurbishment centre in Kent. They are then re-distributed for sale to stores across the country. All members of the H&T staff use extensive product knowledge to assist customers in choosing individual pieces to suit their requirements, a skill which of course enables them to make the right loan in the first place.



## Pre-paid 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.



## Western Union

Every year millions of people worldwide trust Western Union to send money within minutes to family, friends or colleagues in other countries. This safe and secure method of money transfer is a new addition in 2012 to the range of financial services offered to our customers. The addition of Western Union to all of our 186 branches not only further services our customers but also introduces a new audience into H&T Pawnbrokers.



## Foreign exchange

H&T now offer a foreign exchange service at highly competitive rates and with no commission charges, further establishing one of our core strengths of offering great value to the customer. Not only does offering this additional service make currency exchange easier for our customers, but we're also broadening our appeal to a new audience.



## 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 worth 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 3% to 8% flat rate per month. The rate charged is dependent on local competition and the size of the loan.

During the contract the customer can:

- **Redeem the pledge**  
This means they pay H&T the value of the loan (whether in full or by part payments), 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 another opportunity 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, precious stones or watches (over 99% 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.



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 retail window or as a commodity.



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.



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.



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

Customers are at the heart of our business. H&T is built on delivering excellent customer service and ensuring customers are getting access to the cash they need in the simplest way possible. There is a very real desire of H&T staff to help our customers with their cash flow needs.



### USE OF FUNDS

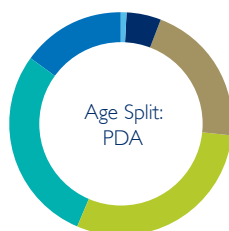
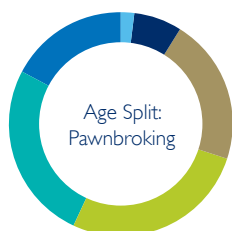
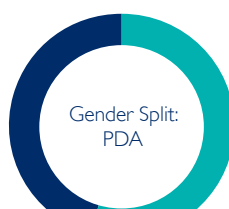
Generally our customers use cash generated from an H&T loan or sale of gold to fund day to day living expenses between paydays or in times of adversity. A small number of customers use our services to solve short term cash needs of their business or for more leisure based needs.

### THE H&T DIFFERENCE

Being part of the local community is paramount to our business and the long established culture of excellent customer service means our staff strive to support, empathise and most of all dissolve financial worries. It is common to hear first names being used between assistant and customer; this is through a long-standing expectation that they are there to help during a time of need.

### RESEARCH

H&T regularly conducts customer interviews to better understand what is important and to assess our customer service standards. From our most recent survey with over 350 customer interviews, over 86% rated their satisfaction 8 or more out of 10.



## Customer feedback

The following letter was received into our Darlington Store.



My fiancé and I recently went into your branch in Darlington to sell some pieces of jewellery. Having had no previous experience dealing with pawnbrokers we were more than pleasantly surprised with Alex and Cheryl who dealt with us. Not only were the girls thorough and quick despite our mix of items, but they were polite and extremely friendly, making us feel at ease and happy about our experience. We tried the rivals and independent jewellers whose service was cold and impersonal and their prices just couldn't compete with H&T. Thanks so much for the excellent service.



## OUR PEOPLE

Our business is focussed on really valuing our people and this stems from the Board. We continually develop and help staff realise their potential. Our work with Learning and Development ensures our people are developed technically and behaviourally to support them in their roles.

Developing our people is critical to our growth as a business allowing us to achieve our aims, opening new sites and offering great service to our customers.

### INVESTORS IN PEOPLE (IIP)

Our focus on people development has led to external recognition. H&T was assessed for IIP in August 2012 and is proud to announce the achievement of the Gold Award. This is designed to provide a framework for businesses to operate effectively through good people management. In addition, the Group collected the Employer of the Year award from the National Pawnbroker's Association (NPA), an achievement that shows we have continued with our commitment in developing and supporting our people to their full potential. We recognise this development is crucial to the success of our business.

### TRAINING AND DEVELOPMENT

H&T has introduced several training courses, including our Management Development Programme and STAR programme, both designed to develop and strengthen our high performing managers. These support managers in their career development, whether it's a future promotion, running a store of excellence or a role within a different area of the business. It is tailored to the individual's needs and comprises a combination of coaching and personal development exercises. Over the last few years H&T has introduced

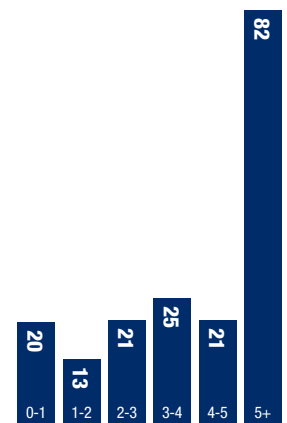
additional workshops and programmes to the business. The rationale behind these has been to improve the technical knowledge and behavioural skills base of our managers enabling them to manage more effectively.

Through 2012 the business has delivered nearly 250 workshops and 30,000 hours of staff training.

### LISTENING TO OUR PEOPLE

All employees are given the opportunity to have their voice heard in our 'YourVoice' employee survey. Through use of an online questionnaire employees were asked nearly 100 questions on how they felt about working for H&T. Almost 70% of employees participated and over 90% of the feedback reported strengths or opportunities for the Group. Following the survey we compiled focus groups from a range of employees to really understand and address any issues raised. An employee consultative forum was also launched to ensure that staff have the opportunities in the future to discuss relevant matters and monitor change. There is a monthly update highlighting items which have been improved, altered or introduced as a result of the survey. Feedback about the survey was extremely positive.

Over 92% of people stated that they enjoyed working for H&T and 100% of employees received a performance appraisal.



Tenure of managers (Years of service)

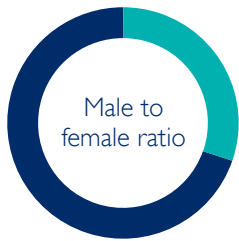
Our average length of service is over 6 years for store managers and 45% of them have over 5 years service.



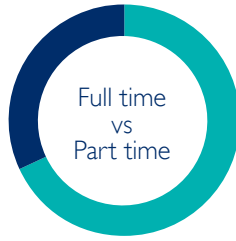
92%

of our people stated that they enjoyed working for H&T

## OUR PEOPLE continued



■ Male 28%  
■ Female 72%



■ Full time 68%  
■ Part time 32%



### PROGRESSION AND RECOGNITION

H&T's retention strategy encourages its people to seek opportunities in the company, across Stores, Head Office and GoldBars in order to enhance their skills. We advertise all available positions weekly to every employee in order to assist them applying for these positions. This, in addition to our commitment to Learning and Development activities, has meant we have had over 280 lateral moves within the business. Over 65% of our Deputy Manager and Store Manager roles are filled internally.

As well as our competitive Pay & Benefits structure we recognise and reward employee performance by issuing quarterly and annual bonuses. This is in conjunction with seasonal incentives and profit share for over performance against targets. We reward our Managers by offering them an annual share option scheme to encourage them to participate in ownership of the company, as well as providing health insurance.

Every year H&T holds an annual conference for its Managers. In 2012 they were invited to

Portugal for the Managers' Conference, where the Group's strategy and goals for the year ahead were communicated, as well as our top performing managers being rewarded with prizes.

Our "Total Reward" statements, launched in 2011, detail exactly the benefits and value of each employee's remuneration package. This also highlights the value of unsubscribed benefits such as a pension, to demonstrate the full benefits package that staff could receive. Feedback received has been very positive.

Other potential rewards include an innovation scheme whereby H&T rewards its employees with up to £1,000 for new ideas that are subsequently implemented. Many current procedures have been provided by our employees.

We have also introduced a recruitment applicant tracking system which ensures that we fairly evaluate all applications received and see the best possible candidates for relevant roles, allowing recruitment and retention of key talent for our business.

## 2012: A Year of Awards

**Awarded Gold Investors In People**

**Awarded NPA Employer of the Year**

**Awarded NPA Community Contribution**

We are very proud of awards we receive; to be recognised by the National Pawnbrokers Association and to be awarded Gold by Investors In People shows that H&T are not only the leading pawnbroker in the UK but an example of a growing business to be applauded.

John Nichols, CEO of H&T Pawnbrokers, commented "Achieving the Investors In People Gold award is a real accolade. As the only national pawnbrokers to be awarded gold this further cements H&T's position as the modern face of pawnbroking."

Peter Kelly, Operations Director at H&T, said "The IIP award demonstrates a commitment to the development and success of our staff and a desire to continually improve and grow. Having won a silver award last year, it feels fantastic to have achieved gold!"

NPA Chief Executive, Ray Perry, said: "The National Pawnbrokers Association promotes transparency, professionalism and excellence in the industry. The NPA Awards recognise the very best practice. Many congratulations to all our winners."



## OUR COMMUNITIES

There are many factors which contribute to the success of H&T, but one that cannot be ignored is the continued involvement our people have in each community they work in.

Britain's high streets are in decline and by working within our local communities on projects driving awareness and local engagement we hope we are doing our bit to increase footfall and to keep community spirit alive.



Throughout 2012, staff got involved in charity events up and down the country. From packing bags in supermarkets, 10 mile walks and pancake eating competitions to face painting and football matches, we've been raising money for local causes.

Staff in Walton Vale, Liverpool and Tuebrook completed a 6 mile sponsored night walk for Woodland Hospice raising £640. The Woodland Hospice has used this money to fund the on-going patient care that they provide. Another hospice our Clydebank store had the pleasure of giving a helping hand is St Margaret's Hospice, whereby staff raised £261 by packing shopping bags in Iceland and running a tombola.

Other fund raising events included auctioning donations such as a signed football from Wolves FC which raised £2,000 for Help for Heroes and selling home-made cakes for the Princes Trust who received £90. Sutton-in-Ashfield celebrated their first year in the area by fundraising for Priestic Primary School to buy benches for the school playground.

The Palace Fields under 9's team were donated £500 thanks to our Runcorn girls who pulled on their shorts and played in a charity football match. The donation meant the team were able to pay for end-of-season trophies, new equipment and kits for all the young footballers. And keeping with the sporty theme, our Gateshead, Wallsend and Newcastle staff kept moving during a sponsored bike ride which raised over £100 for Get Kids Going! and they never left the store window!

Donna Hegarty, Business Development Manager for Kilbride Hospice, also commented "It wouldn't have been possible without the support of thousands of local people. People like Elaine, and the staff and customers of H&T Pawnbrokers. They made this happen. I'd like to thank all the staff of H&T Pawnbrokers for their wonderful fundraising efforts. Each donation we receive just now pays for bricks and mortar, and makes the dream of Kilbride Hospice one step closer. Thank you."



1. Fun day in Orpington
2. Birmingham staff having a NYPDA day
3. Fund raising for Get Kids Going!

## OUR COMMUNITIES continued

All of this activity really only scratches the surface. The Board supported and encouraged staff in all locations to support local charities and as a result, stores managers are excitedly engaging with charities in the heart of their communities. Our staff love getting behind both Get Kids Going! and their local charities. As Louise Hulland, Nottingham store manager comments, "It is important to us that we get involved in the local community and help make the areas we work in a better and more cohesive place. We are all proud to work at H&T and to help out charities and community projects. And the impact on the charities we've been able to give a helping hand to is at times overwhelming."

### CORPORATE CHARITY

H&T adopted Get Kids Going! as their charity partner in 2011 and pledged to raising money for the deserving children's charity. The commitment is evident not only through the significant amount of money raised but the sheer volume of fundraising activity that staff in all branches and at all levels have been involved in. The total amount raised for Get Kids Going! hit £50,000 in 2012, a phenomenal achievement.

Jane Emerson, Chief Executive of Get Kids Going!, commented "We cannot thank enough all the wonderful staff at H&T for their magnificent support over the last year. This has made an enormous difference to many disabled youngsters lives by providing them with sports wheelchairs and sports grants. Having their support for two years is so precious to us all at Get Kids Going! as it will help give the chance to many of our young talented athletes who have the dream of competing at the London 2012 Paralympic Games this Summer. Without the help of everyone at H&T they could not achieve their dream of playing wheelchair sport and also taking part in the Paralympic Games for Great Britain. We all send a big big thank you for your continued support at this important time. Thank you."

David Weir, 4 times Gold medal winner at the 2012 Paralympic Games and patron of Get Kids Going! accepted the £50,000 cheque on behalf of the charity. Of course David bought his medals and John Nichols, CEO, took it upon himself to have the medals weighed and donate their weight in gold, taking our total fundraising for Get Kids Going! to a life changing £67,000.

## H&T Pawnbrokers wins Community Contribution award!

It's always an honour to receive an award but it's particularly satisfying when an award is directly linked to the hard work of all our staff, so we were especially pleased to have won the Community Contribution award for our committed work with Get Kids Going!



1. Fundraising in Peterborough
2. Charity football match
3. Fareham sponsored walk
4. Eastleigh funday
5. Bexleyheath fundraising
6. Hull fundraising





## CHIEF EXECUTIVE'S REVIEW

The Group's pawnbroking operations have experienced another solid year of growth in 2012. The Group successfully expanded its estate with the net addition of a further 26 sites and became the first UK pawnbroker to achieve a pledge book of over £50m.

Investment in modern store layouts, the delivery of excellent customer service and the introduction of additional product offerings has played a key part in our success in retaining our position as the UK's leading pawnbroker.

As expected, Group pre-tax profits fell year on year, from £23.5m to £17.0m due to reduced gold purchasing profits and the associated cost of our store expansion programme. Typically it takes two to three years for a greenfield pawnbroking site to achieve profitability (at a profit before tax level after full allocation of overheads). In the prior year, the Group also benefited from 'super-normal' profits due to the 24% increase in the gold price. The Group's core pawnbroking operations performed strongly with gross profits from these segments (Pawn Service Charge, Retail and Pawnbroking Scrap) increasing from £42.8m to £45.7m. The Group's pawnbroking operations now contribute 73% of gross profit (2011: 65%).

Expanding into new geographical areas and in-filling around existing stores, the Group opened a further 28 stores during the year. Of these, 6 were acquired, 4 were conversions from GoldBar retail mall units and 18 were greenfield openings. The Group chose to exercise lease break options on two stores during 2012. As at 31 December 2012 the Group had 186 stores, together with 24 GoldBar retail mall units.

The Group's financial position remains strong with net debt of £27.6m and a net debt to EBITDA ratio of 1.3x. The Group successfully refinanced its debt facilities in January 2013, and has secured a £50m four year facility with Lloyds TSB Bank plc.

### Review of operations PAWN SERVICE CHARGE

The Group ended the year with a pledge balance of £51.6m (2011: £46.6m). This drove a 6.3% increase in the Group's largest income stream, the Pawn Service Charge, to £28.4m (2011: £26.7m). Excluding auction profits, which can be more variable year on year, reveals stronger underlying growth in interest collections of 9.8%.

Key drivers to the increased pledge book have been the growth from sites added in 2011 and 2012, as well as the introduction of new stratified

interest rates, ensuring the Group is more competitive for larger loans. The Group's like-for-like pledge book has remained flat, with a fall in customer numbers being offset by an increased average loan. While the Group enjoys repeat business levels of over 80%, the remaining 20% of new customers now have a far wider choice on the high street than in previous years and therefore the Group's key focus in 2013 will be to drive new customer numbers.

The challenge is to drive pawnbroking customer numbers in the face of increased competition from other high street operators as well as the continued availability of gold purchasing as an alternative choice for the consumer. Key initiatives followed in 2012 included:

- New marketing campaigns, including the Group's first TV advertising campaign on prime channels
- Introduction of Western Union as a well recognised service attracting a wider customer base
- Further evolving our store layouts with the introduction of privacy booths and improvements made to the retail window
- Involvement in local community projects and charity work
- Further development and training of our staff to widen and improve product knowledge in both gemset jewellery and high-end watches

Indeed, our investment into staff, stores and community projects have been recognised externally, with the Group being accredited with the Investors in People Gold Award in July 2012. The National Pawnbroker's Association also recognised our Group with both the 'Employer of the Year' and 'Community Contribution' awards.

The Group continues to monitor its lending policy on a regular basis, with consideration of the impact on affordability (and therefore redemption rate), and its loan to value in relation to the current gold price. The Board is comfortable that the Group continues to maintain adequate headroom between lending rates and the current gold price, with the average loan to value ratio during 2012 being 61% (2011: 56%). The Group's redemption rate has remained constant year on year at 76%.



### RETAIL

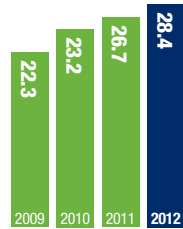
The jewellery retail environment remains difficult, mainly due to the rising price of gold having impacted customer affordability. Necessitated by the rising spot price, the Group's average retail pricing of 9 carat gold has risen by 13% year on year, thus impacting demand. The Group's retail offering remains among the most competitively priced on the high street.

Total retail sales for the year were £20.1m, against prior year of £20.0m, with like-for-like sales down 14% year on year. The Group began a complete overhaul of store stock in H2 2012 with the aim of improving retail performance and reducing stock turn. This project, together with an increased focus on premium branded watches and gemset products is expected to benefit retail performance in 2013. Gross profit from retail was £9.9m (2011: £9.8m) with a flat margin year on year.

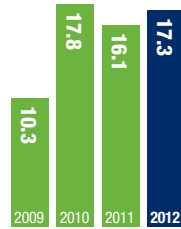
### PAWNBROKING SCRAP

The Group has a natural hedge to offset any potential fall in jewellery sales as its alternative disposition method is to scrap the gold at the then current gold price.

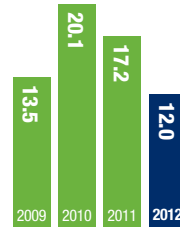




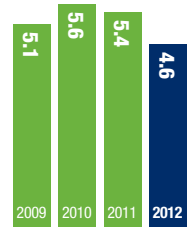
Pawn Service Charge gross profit (£m)



Total disposition gross profit including retail and pawnbroking scrap (£m)



Gold purchasing gross profit (£m)



Total other financial services income (£m)



Scrapping items forfeited from the Group's pawnbroking operations generated profits of £7.4m in 2012 (2011: £6.3m). The year on year increase is due to a higher average gold price year on year (£1,053 per troy ounce vs £982), the Group's increased lending and the lower retail volumes together with the scrapping of slower moving retail stock.

The scrap margin fell slightly year on year from 33% to 30% as the impact of the increased lending rates offset the increased gold price.

**GOLD PURCHASING**

During 2010 and 2011, the Group benefited from both its first mover advantage into the high street market for gold purchasing and from the rising gold price environment. Both of these factors created an element of 'super-normal' profits.

In line with expectations of lower gold purchasing volumes year on year and a relatively stable gold price in 2012, Group gold purchasing profits fell to £12.0m (2011: £17.2m). The Group estimates that the weight of gold purchased on a like-for-like basis has fallen by 9% from the beginning of 2012,

with the majority of this decline occurring in H1. Excluding December, which historically shows low gold purchasing, volumes purchased over the last six months have been relatively stable – again on a like-for-like basis. We believe, that as well as remaining competitive on pricing, the Group's longevity in this market is helping to build brand recognition and trust among our customers.

In line with gold purchasing volumes, and demonstrating the flexibility with which the operation was set-up, the Group has downsized its GoldBar retail mall units operation. Currently, it remains a profitable and flexible business with 24 units in operation at the year-end (2011: 54).

**CHEQUE CASHING**

Cheque cashing income fell from £4.9m to £3.7m due to the reduced number of cheques in circulation. Cheque cashing now contributes 6.0% of gross profit (2011: 7.5%).

The Group's Payday Advance product, contributing two thirds of total cheque cashing profit, has accounted for £1.0m of this decline. The product was designed to operate with the benefit of

**+10.7%**  
compound annual growth rate from 2007 in PSC gross profit

**+13.1%**  
compound annual growth rate from 2007 in the Group's pledge book

## CHIEF EXECUTIVE'S REVIEW continued

“ The Group aims to maintain its high levels of repeat custom with a continued focus on brand recognition, excellent customer service, investment in the existing store estate and maintaining its reputation for fairness and honesty. ”

a cheque guarantee card acting as part of the Group's underwriting criteria, but since the banks have gradually stopped issuing cheque guarantee cards, the Group's Payday Advance loanbook has experienced a steady decline. Countering this decline, the Group has since widened acceptance criteria to those customers with only a debit card, and has accordingly developed its own credit scoring and underwriting criteria. While acknowledging that this market represents a significant opportunity for the Group, the Board is seeking to improve the bad debt metrics and move to a more flexible and customer friendly product before expanding the loanbook.

The OFT recently conducted a compliance review into the payday lending market. The review focussed on whether payday lenders are carrying out adequate affordability checks; whether they are inappropriately targeting vulnerable customers; and whether they are rolling over loans so that charges escalate. Our Group continues to set the standards on pricing, with interest rates being considerably lower than the main industry players, and has ensured compliance with best practice guidance.

### KWIKLOAN

The Group's KwikLoan revenues have benefited from some customers without a cheque guarantee card switching from the Payday advance product to our longer term unsecured KwikLoan product. The loan book increased to £1.2m at the year-end (2011: £1.0m).

### Regulation

The Office of Fair Trading (OFT) currently regulates consumer credit in the UK in accordance with the Consumer Credit Act. Credit providers must be licensed and the OFT, working with agencies such as local Trading Standards services, aims to ensure that only those firms fit to hold a licence do so. Key protections provided by the Act include provisions such as advertising not being misleading, affordability checks before issuing loans, and the provision of all relevant information to consumers.

The OFT will cease to exist in 2014. Most of its activities, but not credit regulation, will be transferred to a new Competition and Markets Authority. The government wishes to change the way consumer credit is regulated and to transfer responsibility for it to the Financial Conduct Authority (FCA), one of the successor bodies to the Financial Services Authority (FSA). While no final decisions are expected until mid 2013, the Board does not believe that the current regulatory changes will have a detrimental impact on the Group and continues to monitor the proposals on a regular basis.

### Business strategy and outlook

The Group seeks to retain its position as the UK's leading pawnbroker by providing easy access to cash and other related services in a fair, safe and friendly environment that exceeds the expectations of our customers. The Group aims to maintain its high levels of repeat custom with a continued focus on brand recognition, excellent customer service, investment in the existing store estate and maintaining its reputation for fairness and honesty.

The Group has added 58 greenfield sites within the last three years, and with the pledge book build continuing to be in line with expectations, the Board is confident of an increased contribution from these stores over the short and medium term. Our expansion strategy and focus will be revised in 2013 to accommodate the increased competition and reduced returns from gold purchasing. The Group intends to invest less capital and secure more flexibility when testing new markets, use its balance sheet strength to make acquisitions and to continue in-filling in key markets to gain operational efficiencies. To date in 2013, we have opened 6 new stores (3 GoldBar conversions and 3 acquisitions) taking our total estate to 192 stores.

The increased gold price in recent years has allowed the Group to prudently increase lending rates and increase pledge book growth. To maintain growth and market share across the Group's older

stores, the Group will launch new services in 2013 as well as diversify the nature of the asset on which we can lend on a secured basis. The Group is also seeking to redefine its Payday Advance product to one that is more flexible to customers' needs in terms of both length and pricing of loan, again to attract customers who do not necessarily have jewellery as an asset to pledge.

Current trading is in line with market expectations for 2013 and while gold purchasing remains relatively stable, the Board is mindful of the sustainability of this activity. The Board believes that current market forecasts represent a reasonable expectation of financial performance for the year ending 31 December 2013.

I would also like to add my great thanks to those of the Chairman, in recognising all our people whose skills, commitment and enthusiasm continue to drive our success, and who give us confidence in the future.



John G Nichols  
Chief Executive



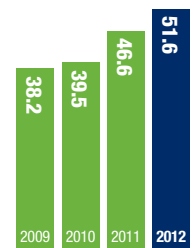
Pawnbroking (includes retail and scrap)	73.4%
Gold Purchasing	19.3%
Financial Services	7.3%



Pre 2008	51.1%	2010	7.0%
2008	8.6%	2011	13.4%
2009	9.1%	2012	10.8%

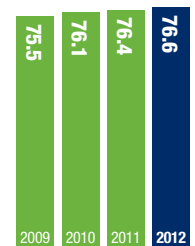


Pledge book (£m)



Up 10.7% to £51.6m in 2012 (2011: £46.6m)

Redemption (%)



76.6% in 2012 (2011: 76.4%)

## EXPANSION OF THE STORE ESTATE

H&T's geographical development follows a clustering model. This is principally due to the need to support new stores with existing operational management and staff to maximise returns.

Practically, this means that where we enter a new market there are two main phases of development. The first is the initial acquisition or greenfield store followed by a period of development to provide a stable and successful team. The second phase is the consolidation of that market through the creation of a discrete area containing 8 to 14 stores.

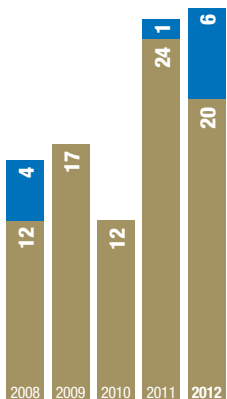
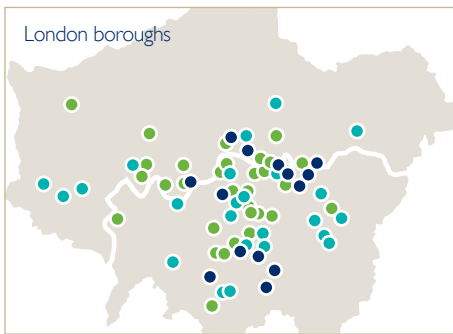
This strategy has been demonstrated on the maps with focussed development in Glasgow, the North East and the North West.

We believe that there is significant capacity in the market to develop additional units both around existing sites and in completely new areas.

A net 26 stores were added in 2012 (2011: 25) taking the total store estate size to 186 stores. In addition, the Group operates through 24 GoldBar units (2011: 54)

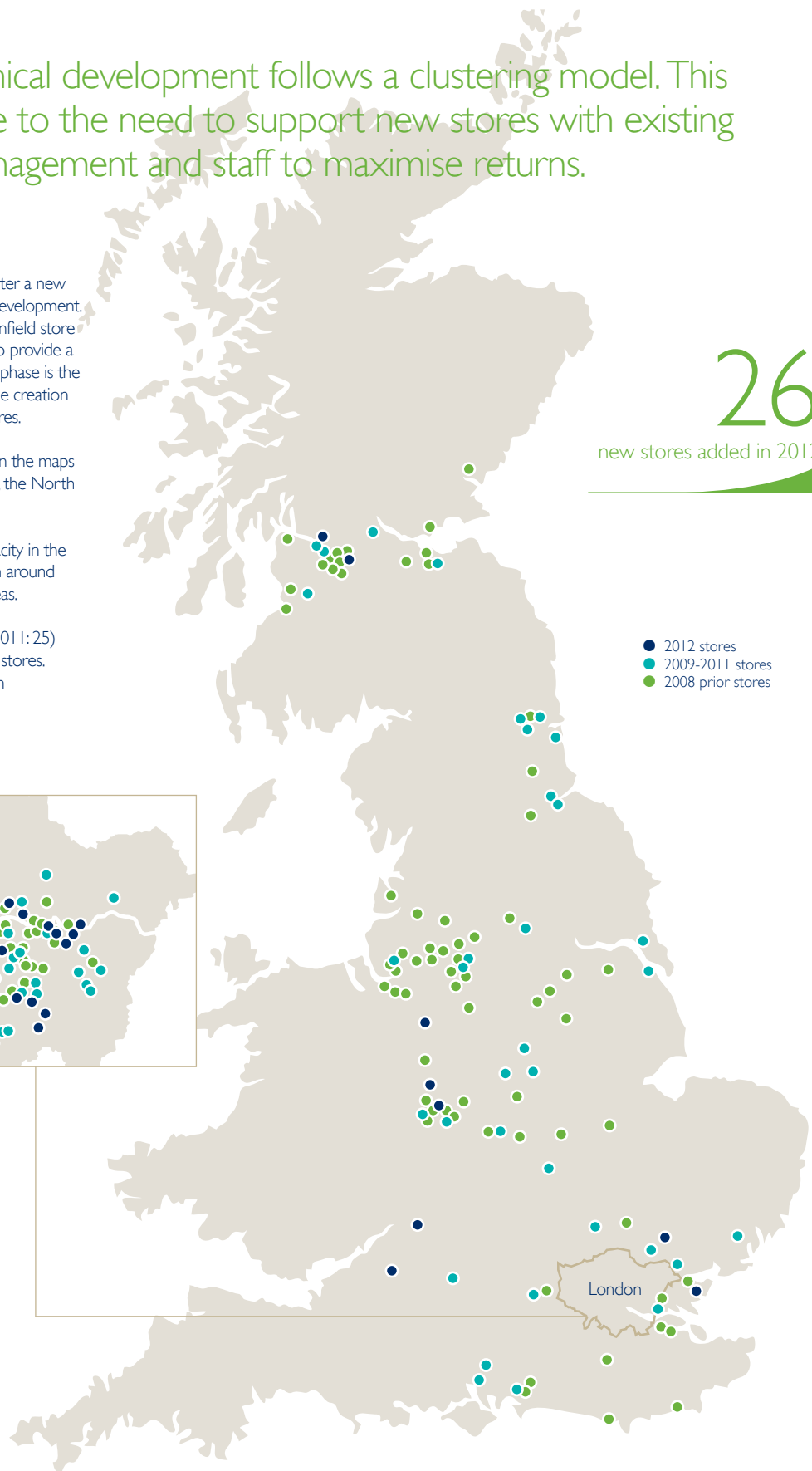
26

new stores added in 2012



5 year growth in stores

■ Acquisition  
■ Greenfield





## FINANCE DIRECTOR'S REVIEW

The benefits of a rising gold price and higher gold purchasing volumes in 2011 have provided challenging prior year comparatives for our 2012 results. Profit before tax fell year on year from £23.5m to £17.0m mainly due to a £5.1m year on year decline in gold purchasing profits.



This expected reduction in volumes of gold purchased meant that at a headline level, gross profits fell by 4.8%. Excluding gold purchasing, the underlying core operations show a 4.0% rise in gross profits, driven by year on year growth in the key performance indicators of lending, pledge book and redemption.

The Group generated surplus cashflow of £1.7m in 2012 (2011: £0.7m) after £6.3m of capital expenditure invested into expanding the store estate and dividend payments of £3.9m. Our year-end financial position remains strong with net debt of £27.6m (2011: £29.3m) and a net debt to EBITDA ratio of 1.3x. Together with a potentially reduced store expansion programme and less working capital investment in a flat gold price environment, this leaves the Group well placed to finance potential acquisitions, pay down debt or increase the annual dividend. On 31 January 2013, the Group signed a new four year credit agreement for £50m with Lloyds TSB Bank plc, which is available to draw upon subject to leverage ratios.

Another highlight is the proposed final dividend of 8.05 pence, which takes the full year dividend to 11.85 pence – a 10.2% increase year on year. It also maintains our track record of dividend growth in every year since the Group's flotation

in 2006, despite the capital expenditure required to fund the Group's store expansion programme and the dilutive earnings profile of a new store in its early stages. Earnings per share covers the dividend by 3.0x.

Other key areas of note include:

### OTHER DIRECT AND ADMINISTRATIVE EXPENSES

Other direct and administrative expenses rose from £40.8m in 2011 to £44.2m in 2012. The increase was driven by the full year effect of stores opened in 2011 and the net 26 new stores opened in 2012. The Board estimate that the 2011 and 2012 greenfield store openings reduced profit before tax by £2.0m in 2012.

### FINANCE COSTS

Interest on bank loans fell during 2012 to £1.5m (2011: £1.7m), as improvement in the Group's financial covenant headroom triggered a lower margin payable, and due to the Group's interest rate swap expiring on 31 August 2012. This swap agreement had hedged the one month LIBOR element of the Group's interest cost on a notional value of £34,000,000 of borrowings to 2.63%. H&T's interest cover ratio (EBITDA to interest) was 13.7x (2011: 16.0x).

### EARNINGS PER SHARE

Basic earnings per share was 35.92 pence (2011: 51.12 pence). Diluted earnings per share for 2012 was 33.94 pence compared with 48.39 pence in 2011.

### CAPITAL EXPENDITURE

Cash outflow on capital expenditure during the year on property, plant and equipment was £4.6m (2011: £4.5m) of which the majority related to the 22 greenfield sites opened during the year. In addition, the Group spent £2.3m (2011: £0.4m) on six acquisitions, of which £1.4m related to intangible assets and goodwill.

### RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE, defined as profit before tax, interest receivable, finance costs and movement in fair value of interest rate swap as a proportion of net current assets (excluding borrowings) and tangible and intangible fixed assets (excluding goodwill), decreased from 26.2% in 2011 to 17.6% in 2012. This decrease reflects the reduced profitability from the Group's gold purchasing operations and the early year dilutive effect of new store openings.

Alex Maby  
Finance Director

## DIRECTORS, OFFICERS AND ADVISERS

### Executive Directors



**John G Nichols**  
Chief Executive, 62

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.



**Alex M Maby**  
Finance Director, 39

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 portfolio companies including chief financial officer and board director. Prior to this, he worked for Mapeley Plc as head of financial engineering and ING Barings as an equity analyst. He joined H&T in February 2009.



**Stephen A Fenerty**  
Commercial Director, 40

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 and is responsible for unsecured lending, marketing and IT. He is responsible both for the project management and implementation of business development initiatives and for origination and execution of acquisitions.

### Registered and Head Office and Advisers

#### REGISTERED AND HEAD OFFICE

H&T Group plc  
Times House  
Throwley Way  
Sutton  
Surrey  
SM1 4AF  
Tel: +44 (0) 870 9022 600

#### FINANCIAL ADVISER AND NOMINATED ADVISER

Hawkpoint Partners Limited  
41 Lothbury  
London  
EC2R 7AE

#### BROKER

Numis Securities Limited  
10 Paternoster Square  
London  
EC4M 7LT

#### LEGAL ADVISERS TO THE COMPANY

Berwin Leighton Paisner LLP  
Adelaide House  
London Bridge  
London  
EC4R 9HA

#### INDEPENDENT AUDITOR

Deloitte LLP  
Global House  
Crawley  
West Sussex  
RH10 1DL

## Non-Executive Directors



**Peter D McNamara**  
Chairman, 62

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.



**Malcolm L Berryman**  
58

Malcolm is currently a Non-Executive Director at Southern Health NHS Foundation Trust and runs his own consultancy business primarily involved in life and general insurance. Between 1990 and 2005, he was Chief Executive of two Insurers, Liverpool Victoria and Crown Financial Management. He qualified as an Actuary in 1983.



**James F Thornton**  
55

James is currently a Director at Strand Partners, a position he has held since 2009. Previously James held senior positions with Lord Ashcroft KCMG associated companies - Anne Street Partners and Global Health Partner plc. He has more than fifteen years of experience in UK financial services including UK Finance Director at Old Mutual plc and as Head of Foreign Exchange at IFX plc. James is a Fellow of the Institute of Chartered Accountants.

### BANKERS

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

Lloyds TSB Bank plc  
25 Gresham St  
London  
EC2V 7HN

### REGISTRARS

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

### PUBLIC RELATIONS

Pelham  
6th Floor  
Holborn Gate  
330 High Holborn  
London  
WC1V 7QD



# CORPORATE GOVERNANCE

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 UK Corporate Governance 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 pages 20 to 21. 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. Two of the three non-executive directors hold shares as disclosed on page 27. However, because the number of shares held is small, there is no entitlement to share options for non-executives, and there are no cross directorships between executive and non-executive directors, the non-executive directors are considered to be independent.

### 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 31.

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 two independent Non-Executive Directors of the Company. The members of the Committee are:

- Malcolm Berryman (Chairman)
- Peter D McNamara

The Committee meets at least twice 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 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:

- James F Thornton (date of joining Committee: 26 February 2013)
- Malcolm 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 and objectivity of external auditors and the independence of internal auditors. As directed by the Audit Committee, the principal function of the Group's internal audit team is to verify the physical presence and control procedures surrounding the cash, pledge and stock balances within stores and the Group's Jewellery Centre. 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 Berryman
- James F Thornton

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.

During the year, the Nomination Committee formally appointed James Thornton as a Non-Executive Director of the Group, following a search process involving the use of a recruitment firm.

### 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 15 to 18 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 delivered profit after tax of £12.9m for the year ended 31 December 2012 (2011: £18.1m). The Group has also increased its net assets to £86.8m (2011: £77.3m) partly by reinvesting £5.5m into receivables and investing £4.3m into capital expenditure. Post this capital expenditure and an increased year on year dividend, the Group's net debt balance decreased by £1.6m during 2012 highlighting the Group's ability to generate strong underlying cash flows.

The Board has approved a detailed budget for 2013, which indicates surplus cash generated from operations after accounting for the Group's forecast levels of capital expenditure. In addition, the Group has access to its current £50m revolving facility, which is not due to expire until January 2017. As at 31 December 2012, the Group had £16m of available financing by which to finance both current operations and future growth. This strong balance sheet position provides a high level of confidence that the Group will be able to repay all liabilities as they fall due during 2013, as well as funding the planned expansion in the store estate. The Board is also confident of meeting all covenant tests during the year.

Longer term forecasts are also reviewed by the Board, with the 'base case' financial forecasts revealing no inability to meet financial covenants or repay liabilities. Sensitivity analysis under less favourable scenarios designed to test the point at which the Group will either have insufficient headroom or breach financial covenants has also been prepared and reviewed. The Board considers the selected scenarios as remote, and is comfortable that mitigating strategies are available to the Group to offset liquidity constraints.

We believe that 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 near future. Further details are provided in note 26.

Based on the above considerations and after reviewing in detail FY 2013 and Q1 14 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 2012.

### Principal activities and review of the business

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

A review of the business and its future development (including the information that fulfils the relevant requirements of section 417 of the Companies Act 2006) is given in the Chairman's Statement, Chief Executive's Review and Finance Director's Review on pages 2 to 19.

### 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 ethical requirements for 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/factors
<b>Pawnbroking</b>	<ul style="list-style-type: none"> <li>Increasing competition</li> <li>Potential changes in regulatory environment</li> <li>Fall in the gold price affecting existing pledge security and future lending levels</li> <li>Fall in the gold price affecting scrap margin</li> <li>Decline in retail sales</li> <li>Fall in pawnbroking redemption</li> <li>Increased availability of gold purchasing option for consumers</li> </ul>	<ul style="list-style-type: none"> <li>Continual monitoring at store level</li> <li>Expansion strategy to maintain H&amp;T's position as one of the industry key players</li> <li>Maintenance of a high level of customer service</li> <li>Continual monitoring and lobbying</li> <li>Monitoring of gold price</li> <li>Maintenance of appropriate margin between pledge value and gold price</li> <li>Lending on alternative high value items</li> <li>Review possible use of hedging instruments</li> <li>Focus on increasing redemption rates to minimise reliance on disposition</li> <li>Increase retail sales as a disposition hedge</li> <li>Excess stock scrapped at a high margin</li> <li>Increase in disposition through retail, auction and scrap activities</li> <li>Pawnbroking is a long established business model, with pawnbroking customers being distinct from purchasing customers</li> <li>Experienced management team with significant industry knowledge</li> </ul>
<b>Cash, pledge book and retail inventory</b>	<ul style="list-style-type: none"> <li>Physical security of all assets</li> <li>Insufficient pledge securities</li> </ul>	<ul style="list-style-type: none"> <li>High level of investment in security systems</li> <li>Insurance</li> <li>Staff training and pledge tests</li> <li>Monitoring of established lending criteria</li> <li>Internal audit function reviewing individual pledges on average twice a year</li> </ul>



Area	Description of risk	Examples of mitigating activities/factors
<b>Cheque cashing and unsecured lending</b>	<ul style="list-style-type: none"> <li>Significant worsening of bad debts</li> <li>Decline in third party cheque encashment business</li> </ul>	<ul style="list-style-type: none"> <li>Investment in IT systems</li> <li>Staff training</li> <li>Continual monitoring of bad debts and lending criteria</li> <li>On-going reduction in overall business mix and replacement by new services and products</li> </ul>
<b>Gold purchasing</b>	<ul style="list-style-type: none"> <li>Increasing competition impacting on volumes purchased and margins achieved</li> <li>Fall in the sterling gold price adversely impacting scrap margins</li> </ul>	<ul style="list-style-type: none"> <li>Constant monitoring of competitor's pricing</li> <li>Expansion strategy both for stores and retail mall units to maintain leading market position</li> <li>Progressive marketing strategies</li> <li>Adjust purchase price offered to compensate for market movements in gold price</li> <li>Possible use of hedging instruments</li> </ul>
<b>Business operations</b>	<ul style="list-style-type: none"> <li>Back office and communication systems failure</li> </ul>	<ul style="list-style-type: none"> <li>Established IT disaster recovery plan</li> <li>Systems designed with no single point of failure</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>Succession, retention and capability</li> <li>Safety &amp; security of employees being placed at threat</li> </ul>	<ul style="list-style-type: none"> <li>High investment in on-going training</li> <li>Performance related pay package</li> <li>Share-based incentive plans</li> <li>No. of in store deterrents to deter violent intruders (CCTV, alarms, safes, fog)</li> <li>Employer and public liability insurance in place</li> <li>Group policy of no remonstrations</li> </ul>
<b>Financing</b>	<ul style="list-style-type: none"> <li>Potential increase in cost of financing due to borrowings being on a floating rate</li> <li>Bank funding is subject to strict financial covenants</li> <li>Financing bank going bankrupt</li> </ul>	<ul style="list-style-type: none"> <li>Use of hedging instruments where appropriate (interest rate swap)</li> <li>Regular forecasting exercise and regular communication with the financing bank</li> <li>Review of existing financing facilities and possible use of syndicated banking</li> </ul>

### Dividends

The directors propose a final dividend of 8.05p (2011: 7.00p) per share subject to approval at the Annual General Meeting on 18 April 2013. 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 2011 of 7.00p per share and an interim dividend for the year ended 31 December 2012 of 3.80p per share (2011: 3.75p per share).

### Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including interest rate 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 26 to the consolidated financial statements.

### Interest rate risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. In 2009, the Group contracted into a three year interest rate swap to hedge this exposure on a notional value of £34,000,000. This swap expired in August 2012, leaving the Group exposed to movements in LIBOR. Having recently completed the refinancing of Group debt facilities in January 2013, the Board is currently evaluating its interest rate hedging strategy for 2013 and subsequent years.

### 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

## DIRECTORS' REPORT continued

which are the pledge book, the KwikLoan loan book, Payday Advances and Cheque Cashing balances. In all cases, exposure on trade and other receivables is spread over a large number of counterparties and customers.

The risk attributable to the pledge book is further mitigated 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 Payday 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	A2
The Royal Bank of Scotland plc	A3
Lloyds TSB Bank plc	A2

The Group has no significant concentration of credit risk other than on bank balances of £329,000 (2011: £494,000) with Royal Bank of Scotland plc and £3,753,000 with Barclays Bank plc (2011: £2,171,000).

### 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 2012, the Group had sufficient headroom on its current borrowings and remains in full compliance with all loan covenants.

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

### Price risk

With regard to the current balance sheet position, the Group is not exposed to price risk, as the majority of its jewellery and all of its scrap gold is obtained through unredeemed pledges, which have a cost to the Group which is lower than the resale value. The Group is however 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 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. Currently the Group has no gold hedge in place, although this is reviewed by the Board on a regular basis.

### Exchange rate risk

While the Group's activities are wholly conducted in Great Britain, the Group is impacted by foreign currency exchange rates affecting the gold price exchange from USD to GBP.

### Capital structure

Details of the authorised share capital are shown in note 27 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 27, during the period 492,372 new ordinary shares (2011: 462,058) of £0.05 each were issued, called up and fully paid as part of the Group's share option and long term incentive plans.

As a result of the above the nominal issued share capital has increased from £1,804,694 as at 31 December 2011 to £1,829,313 as at 31 December 2012.

As at 31 January 2012, 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
Artemis Investment Management	19.7%
BlackRock	9.4%
Henderson Global Investors	7.1%
Invesco Perpetual	5.8%
Octopus Investments	4.6%
Baillie Gifford	4.3%
Investec Asset Management	4.2%
Directors	3.8%
Fidelity Management & Research	3.4%

Details of employee share schemes are set out in note 28. Under these share schemes, there are currently potentially an additional 1,664,684

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 3,658,626 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 or long term incentive plan, 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 2012 or 31 December 2011.

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 were as follows:

#### Executive

J G Nichols  
A M Maby  
S A Fenerty

#### Non-Executive

P D McNamara  
A J Brown (resigned 30 November 2012)  
M Berryman  
J F Thornton (appointed 30 November 2012)

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

Director	Type of share	At 1 January 2012	Acquired in the year	Disposed of in the year	At 31 December 2012
J G Nichols	Ordinary 5p shares	1,025,000	120,050	79,000	1,066,050
A M Maby	Ordinary 5p shares	–	165,243	155,243	10,000
S A Fenerty	Ordinary 5p shares	300,000	70,410	70,410	300,000
P D McNamara	Ordinary 5p shares	17,351	–	–	17,351
M Berryman	Ordinary 5p shares	2,000	–	–	2,000
J F Thornton	Ordinary 5p shares	–	–	–	–

As a result of the Approved and Unapproved Share Option Schemes operated by the Group, the directors have a beneficial interest in the following 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
<b>J G Nichols</b>								
- 2006 Scheme	87,397	–	–	87,397	182.5p	–	8/9/2009	7/9/2016
- 2007 Scheme	78,390	–	–	78,390	217.5p	–	17/5/2010	16/5/2017
- 2008 Scheme	92,293	–	–	92,293	175.5p	–	15/5/2011	14/5/2018
- 2009 Scheme	87,628	–	–	87,628	194.0p	–	1/5/2012	30/4/2019
- 2010 Scheme	93,686	–	–	93,686	245.5p	–	20/4/2013	19/4/2020
	439,394	–	–	439,394				
<b>A M Maby</b>								
- 2009 Scheme	77,318	–	77,318	–	194.0p	281.0p	1/5/2012	30/4/2019
- 2010 Scheme	65,173	–	–	65,173	245.5p	–	20/4/2013	19/4/2020
- 2011 Scheme	14,451	–	–	14,451	298.5p	–	19/4/2014	18/4/2021
	156,942	–	77,318	79,624				
<b>S A Fenerty</b>								
- 2006 Scheme	51,233	–	–	51,233	182.5p	–	8/9/2009	7/9/2016
- 2007 Scheme	45,517	–	–	45,517	217.5p	–	17/5/2010	16/5/2017
- 2008 Scheme	59,544	–	–	59,544	175.5p	–	15/5/2011	14/5/2018
- 2009 Scheme	61,855	–	–	61,855	194.0p	–	1/5/2012	30/4/2019
- 2010 Scheme	54,989	–	–	54,989	245.5p	–	20/4/2013	19/4/2020
- 2011 Scheme	11,476	–	–	11,476	298.5p	–	19/4/2014	18/4/2021
	284,614	–	–	284,614				



## DIRECTORS' REPORT continued

The following directors have also a beneficial interest in conditional shares granted as part of the Long Term Incentive Plan (further details are provided within note 28):

	At start of year No.	Granted during the year No.	Exercised during the year No.	At end of year No.	Exercise price pence	Date when conditional grant is achievable
<b>J G Nichols</b>						
- 2008 LTIP	109,813	–	109,813	–	0.0p	7/11/2011
- 2011 LTIP	77,174	–	–	77,174	–	1/4/2014
- 2012 LTIP	–	80,778	–	80,778	–	17/4/2015
	186,987	80,778	109,813	157,952		
<b>A M Maby</b>						
- 2009 LTIP	80,428	–	80,428	–	0.0p	1/5/2012
- 2011 LTIP	42,781	–	–	42,781	–	1/4/2014
- 2012 LTIP	–	50,750	–	50,750	–	17/4/2015
	123,209	50,750	80,428	93,531		
<b>S A Fenerty</b>						
- 2008 LTIP	64,406	–	64,406	–	0.0p	7/11/2011
- 2011 LTIP	33,973	–	–	33,973	–	1/4/2014
- 2012 LTIP	–	40,301	–	40,301	–	17/4/2015
	98,379	40,301	64,406	74,274		

One director exercised share options and three directors exercised LTIPs during the year, as shown in the table above. No share options were granted to any director in 2012.

On 31 December 2012, the market price of H&T Group plc's shares was 281p and the range during the year ended 31 December 2012 was 253p – 357p.

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:

J G Nichols  
S A Fenerty  
J F Thornton

### 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.

### Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2012 £	2011 £
Emoluments	961,534	1,621,215
Gains on exercise of share options	67,267	–
Amounts gained under long term incentive schemes	719,633	–
Money purchase pension contributions	55,389	54,236
	<b>1,803,823</b>	1,675,451

## Directors' emoluments and compensation

Name of director	Fees/Basic salary £	Benefits in kind £	Annual bonuses £	2012 Total £	2011 Total £
<b>Executive</b>					
J G Nichols	240,454	12,267	96,182	<b>348,903</b>	712,577
A M Maby	177,727	10,074	62,204	<b>250,005</b>	424,831
S A Fenerty	141,136	10,074	49,398	<b>200,608</b>	339,432
<b>Non-executive</b>					
P D McNamara	69,525	–	–	<b>69,525</b>	66,875
A J Brown	48,067	–	–	<b>48,067</b>	38,750
M Berryman	41,200	–	–	<b>41,200</b>	38,750
J F Thornton	3,226	–	–	<b>3,226</b>	–
Aggregate emoluments	721,335	32,415	207,784	<b>961,534</b>	1,621,215

### Directors' annual bonus scheme

Remuneration Committee consider the total remuneration package available to Executive directors in light of market practice for companies of a similar size and delivering a similar shareholder performance. As part of the total package, Executive directors are entitled to receive an annual bonus, subject to meeting certain performance conditions. These performance conditions, the maximum bonus payable and the proportion paid for on-target performance are set by the Remuneration Committee in advance of each financial year.

The 2012 bonus structure was as follows:

- Executive directors receive a percentage of salary for achieving on-target performance. For 2012, the target set was achievement of the Group profit before tax budget, adjusted for new store openings.
- For each 1% out-performance to the target, an additional payment of 2.0% - 3.0% of salary would also be made. No director can receive a bonus of more than 145% of salary.

The Remuneration Committee also commissioned an external firm to perform benchmarking analysis on total remuneration and to analyse potential alternatives for future bonus schemes. As a result the 2013 bonus scheme will ensure that any bonus paid over 100% of salary is paid in shares deferred for a two year period.

### Directors' share options

Aggregate emoluments disclosed above do not include any gains made on the exercise of share options, or values attributable to options granted to, or held by, directors in the year. Details of the options exercised by directors during the year are as follows:

Name of director	Scheme	Number of options	Exercise price	Market price at exercise date	Gains on exercise £ 2012	Gains on exercise £ 2011
A M Maby	2009	77,318	194.0p	281.0p	<b>67,267</b>	–
					<b>67,267</b>	–

Details of options granted to and held by directors who served during the year appear on page 27, within the section titled 'Directors and their interests'.

Details of all performance criteria attached to director's share options are disclosed in note 28. There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

## DIRECTORS' REPORT continued

### LTIP

Aggregate emoluments disclose above do not include gains made on the vesting of LTIP awards during the year. Details of LTIP awards that vested during the year are as disclosed in the table below:

Name of director	Scheme	Number of awards vested	Market price at vesting date	Gain on vesting £ 2012	Gain on vesting £ 2011
J G Nichols	2008 LTIP	109,813	282.6p	<b>310,332</b>	–
A M Maby	2009 LTIP	80,428	282.6p	<b>227,290</b>	–
S A Fenerty	2008 LTIP	64,406	282.6p	<b>182,011</b>	–
		254,647		<b>719,633</b>	–

Full details of existing LTIP schemes, and LTIP awards during the year, appear within note 28. There have been no variations to the terms and conditions or performance criteria for the LTIP schemes during the financial year.

### Directors' pension entitlements

3 directors are members of money purchase schemes. Contributions paid by the company in respect of such directors were as follows:

	2012 £	2011 £
J G Nichols	<b>23,812</b>	23,316
A M Maby	<b>17,600</b>	17,234
S A Fenerty	<b>13,977</b>	13,686
	<b>55,389</b>	54,236

### 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 (ASOS) while directors and senior management also qualify for the unapproved share option scheme (USOS). The executive directors also qualify for the Long Term Incentive Plan (LTIP). Further details on share option plans are provided in note 28.

### 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, employee surveys, 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 2012 were equivalent to 29 (2011: 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 made donations to registered local and national charities of £32,651 (2011: £5,394). No political contributions were made during the year (2011: £nil).

### Independent auditor and statement of provision of information to the independent auditor

Deloitte LLP have expressed their willingness to continue in office as auditor 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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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



**J G Nichols**  
Chief Executive  
6 March 2013

## 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. Under that law the directors are required to prepare the group financial statements in accordance with 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 2006 and The AIM Rules.

The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 AUDITOR'S 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 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and to express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the parent company financial statements of H&T Group plc for the year ended 31 December 2012.



Ian J Smith (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Crawley, United Kingdom

6 March 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Revenue	5,6	<b>129,696</b>	125,516
Cost of sales		<b>(67,413)</b>	(60,082)
<b>Gross profit</b>	6	<b>62,283</b>	65,434
Other direct expenses		<b>(33,435)</b>	(30,944)
Administrative expenses		<b>(10,763)</b>	(9,870)
<b>Operating profit</b>		<b>18,085</b>	24,620
Investment revenues	5,10	<b>2</b>	1
Finance costs	11	<b>(1,532)</b>	(1,708)
Movement in fair value of interest rate swaps	23	<b>418</b>	553
<b>Profit before taxation</b>	7	<b>16,973</b>	23,466
Tax charge on profit	12	<b>(4,077)</b>	(5,332)
<b>Profit for the financial year and total comprehensive income</b>		<b>12,896</b>	18,134
		<b>2012 pence</b>	2011 pence
<b>Earnings per share</b>			
From continuing operations			
Basic	13	<b>35.92</b>	51.12
Diluted	13	<b>33.94</b>	48.39

All results derive from continuing operations.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2011</b>		1,782	24,556	(13)	35,356	61,681
Profit for the financial year		–	–	–	18,134	18,134
<b>Total income for the financial year</b>		–	–	–	18,134	18,134
Issue of share capital		23	405	–	–	428
Share option credit taken directly to equity	28	–	–	–	316	316
Deferred tax on share options taken directly to equity	24	–	–	–	204	204
Dividends paid	14	–	–	–	(3,468)	(3,468)
Employee benefit trust shares	27	–	–	(12)	–	(12)
<b>At 1 January 2012</b>		<b>1,805</b>	<b>24,961</b>	<b>(25)</b>	<b>50,542</b>	<b>77,283</b>
Profit for the financial year		–	–	–	12,896	12,896
<b>Total income for the financial year</b>		–	–	–	12,896	12,896
Issue of share capital	27	25	436	–	–	461
Share option credit taken directly to equity	28	–	–	–	416	416
Deferred tax on share options taken directly to equity	24	–	–	–	(350)	(350)
Dividends paid	14	–	–	–	(3,941)	(3,941)
Employee benefit trust shares	27	–	–	–	–	–
<b>At 31 December 2012</b>		<b>1,830</b>	<b>25,397</b>	<b>(25)</b>	<b>59,563</b>	<b>86,765</b>

# CONSOLIDATED BALANCE SHEET

At 31 December 2012

	31 December 2012	31 December 2011
	Note	£'000
<b>Non-current assets</b>		
Goodwill	15	17,681
Other intangible assets	16	1,181
Property, plant and equipment	17	13,679
Deferred tax assets	24	723
		<b>33,264</b>
<b>Current assets</b>		
Inventories	19	26,233
Trade and other receivables	20	64,023
Cash and cash equivalents	20	6,371
		<b>96,627</b>
<b>Total assets</b>		<b>129,891</b>
<b>Current liabilities</b>		
Borrowings	22	(34,000)
Trade and other payables	21	(6,426)
Current tax liabilities	21	(2,182)
Derivative financial instruments	23	-
		<b>(42,608)</b>
<b>Net current assets</b>		<b>54,019</b>
<b>Non-current liabilities</b>		
Borrowings	22	-
Provisions	25	(518)
		<b>(518)</b>
<b>Total liabilities</b>		<b>(43,126)</b>
<b>Net assets</b>		<b>86,765</b>
<b>Equity</b>		
Share capital	27	1,830
Share premium account		25,397
Employee Benefit Trust shares reserve	27	(25)
Retained earnings		59,563
<b>Total equity</b>		<b>86,765</b>

The financial statements of H&T Group plc, registered number 01588117, were approved by the board of directors and authorised for issue on 6 March 2013.

They were signed on its behalf by:



**J G Nichols**  
Chief Executive



# CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Net cash generated from operating activities</b>	30	<b>11,440</b>	5,574
<b>Investing activities</b>			
Interest received		<b>2</b>	1
Proceeds on disposal of property, plant and equipment		<b>600</b>	–
Purchases of property, plant and equipment		<b>(4,547)</b>	(4,502)
Purchases of intangible assets		<b>(2)</b>	(2)
Acquisition of trade and assets of businesses		<b>(2,337)</b>	(353)
<b>Net cash used in investing activities</b>		<b>(6,284)</b>	(4,856)
<b>Financing activities</b>			
Dividends paid	14	<b>(3,941)</b>	(3,468)
Net increase of borrowings		–	3,000
Proceeds on issue of shares	27	<b>461</b>	428
Loan to the Employee Benefit Trust for acquisition of own shares		–	(12)
<b>Net cash absorbed by financing activities</b>		<b>(3,480)</b>	(52)
<b>Net increase in cash and cash equivalents</b>		<b>1,676</b>	666
<b>Cash and cash equivalents at beginning of the year</b>		<b>4,695</b>	4,029
<b>Cash and cash equivalents at end of the year</b>		<b>6,371</b>	4,695

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 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 22. 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.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

## 2. Changes in accounting policies

### Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted.

IAS 1 (amendment)	Presentation of Financial Statement
IAS 19 (revised)	Employee Benefits
IFRS 7 (amended)	Financial Instruments
IAS 12 (amended)	Income Taxes

No amendments to these financial statements have been made as a result of adopting these new and revised standards and interpretations.

### Standards and Interpretations 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 (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	Government Loans
IFRS 7 (amended)	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual Improvements to IFRSs – (2009 – 2011) Cycle	
IFRS 9	Financial instruments
IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27 Investment Entities (amended)	
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair-Value Measurement
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future period.

## 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.

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.

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.

### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Corporate Governance report on pages 24 to 27.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each 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 by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 3. Significant accounting policies (continued)

### 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 partnership 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 Consolidated Statement of Comprehensive Income and is not subsequently reversed.

CGUs 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.

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 are 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>Computer equipment</i>	
Computer hardware	3 to 5 years
<i>Fixtures and fittings</i>	10 years

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

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

### 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.

### 3. Significant accounting policies (continued)

#### 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' the Group has classified its financial assets as 'loans and receivables' and financial assets at 'fair value through profit and loss'.

#### Loans and receivables

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 Consolidated Statement of Comprehensive Income.

#### 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

Only the Group's derivative financial instruments are recorded as financial assets at FVTPL. 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 26.

#### 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 Consolidated Statement of Comprehensive Income 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.

#### 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'.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 3. Significant accounting policies (continued)

### Financial instruments (continued)

#### Financial liabilities at FVTPL

Only the Group's derivative financial instruments are recorded as financial liabilities at FVTPL.

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.

### 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 Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income, 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 Consolidated Statement of Comprehensive Income 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.

### 3. Significant accounting policies (continued)

#### 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, 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 28. The fair value of the awards made is measured under the policy disclosed below for Share Options.

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, with stock sourced from unredeemed pawn loans, newly purchased stock and stock refurbished from the Group's gold purchasing operation. All revenue is recognised at the point 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;
- Pawnbroking Scrap and Gold Purchasing comprises proceeds from gold scrap sales and is recognised on full receipt of sale proceeds;
- 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.

#### 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.

#### Operating profit

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

#### 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:

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Operating profit</b>	<b>18,085</b>	24,620
Depreciation and amortisation	<b>3,218</b>	2,770
<b>EBITDA</b>	<b>21,303</b>	27,390

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 3. Significant accounting policies (continued)

### Retirement benefit costs

The Group operates a defined contribution pension scheme which is contracted into the State Scheme. The amount charged to the Consolidated Statement of Comprehensive Income 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 Black-Scholes model or a Stochastic 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. 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.

### 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.

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

##### 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 2011 or 2012. The sensitivity of the pledge accrual to reasonable changes in the redemption rate is shown in note 26.

##### 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. 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 or stores acquired.

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 prepares cash flow forecasts over a five year period for each cash generating unit, as disclosed in note 15. The year one cash flows are derived from the most recent financial budget, with average like-for-like growth assumptions of 2% in both retail and pawnbroking tickets and a 15% decline in gold purchasing volumes. A constant gold price of £1,050 per troy ounce is assumed. Cash flows in subsequent years 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. Average growth assumptions for years 2 – 5 include a 3% annual growth in the pawn service charge, a 6% per annum decline in gold purchasing volumes and a 5% annual reduction in retail profits. A terminal value is then calculated for periods thereafter.
2. The Group has discounted the cash flows at a pre-tax, risk adjusted rate of 10.5%. The terminal value cash flows are forecast to increase at between 0% and 2% dependent on the 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 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.

##### 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 the 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.

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 26, 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

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

### 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 the 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:

	2012 £'000	2011 £'000
<b>Sales of goods</b>		
Gold purchasing, retail, pawnbroking scrap	<b>96,718</b>	93,351
<b>Interest/commission earned</b>		
Pawnbroking, cheque cashing and other financial services	<b>32,978</b>	32,165
<b>Group revenue</b>	<b>129,696</b>	125,516
Investment revenues	<b>2</b>	1
<b>Total Group revenue</b>	<b>129,698</b>	125,517

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

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

	2012 £'000	2011 £'000
<b>Income</b>		
Interest earned on financial assets not designated at fair value	<b>28,930</b>	26,839
Fees earned on financial assets not designated at fair value	<b>5,968</b>	6,328

## 6. Business and geographical segments

### Business segments

For reporting purposes, the Group is currently organised into six segments – Pawnbroking, Gold purchasing, 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 99% of the collateral against which amounts are lent comprises precious metals (predominantly gold), diamonds and watches. The pawnbroking contract is a six month credit agreement bearing a monthly interest rate of between 3% and 8%. The contract is governed by the terms of the Consumer Credit Act 2008 (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 £75 or under, through public auctions or the Retail or Pawnbroking Scrap activities of the Group.

#### Gold Purchasing:

Jewellery is bought direct from customers through all of the Group's stores as well as its 24 GoldBar units located in shopping centres throughout England and Wales. The transaction is simple with the store or unit agreeing a price with the customer and purchasing the goods for cash on the spot. Gold Purchasing revenues comprise proceeds from scrap sales on goods sourced from the Group's purchasing operations.

#### 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 refurbished items from the Group's gold purchasing operations. The retail offering is complemented with a small amount of new or second hand jewellery purchased from third parties by the Group.

## 6. Business and geographical segments (continued)

### Business segments (continued)

#### Pawnbroking Scrap:

Pawnbroking Scrap comprises all other proceeds from gold scrap sales other than those reported within Gold Purchasing. The items are either damaged beyond repair, are slow moving or surplus to the Group's requirements, and are 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 is a short term cash loan repayable within 30 days, offered both in stores and online. Customers can secure a loan of up to £750 by writing a cheque to the value of the loan plus a 13% charge, or a loan of £400 by giving their debit card details and agreeing a date for repayment of loan and associated interest.

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 offered in a limited number of stores only.
- Western Union commission earned on the Group's money transfer service.

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 15 to 18.

Segment information about these businesses is presented below:

	<b>Pawn- broking 2012 £'000</b>	<b>Gold purchasing 2012 £'000</b>	<b>Retail 2012 £'000</b>	<b>Pawn- broking scrap 2012 £'000</b>	<b>Cheque cashing 2012 £'000</b>	<b>Other financial services 2012 £'000</b>	<b>Consolidated year ended 2012 £'000</b>
<b>Revenue</b>							
External sales	28,415	51,774	20,149	24,795	3,746	817	129,696
Total revenue	28,415	51,774	20,149	24,795	3,746	817	129,696
<b>Segment result – gross profit</b>	28,415	12,045	9,881	7,379	3,746	817	62,283
	<b>Pawn- broking 2011 £'000</b>	<b>Gold purchasing 2011 £'000</b>	<b>Retail 2011 £'000</b>	<b>Pawn- broking scrap 2011 £'000</b>	<b>Cheque cashing 2011 £'000</b>	<b>Other financial services 2011 £'000</b>	<b>Consolidated year ended 2011 £'000</b>
<b>Revenue</b>							
External sales	26,727	54,563	19,953	18,835	4,907	531	125,516
Total revenue	26,727	54,563	19,953	18,835	4,907	531	125,516
<b>Segment result – gross profit</b>	26,727	17,151	9,815	6,303	4,907	531	65,434



**6. Business and geographical segments (continued)**

## Business segments (continued)

	Pawn- broking 2011 £'000	Gold purchasing 2011 £'000	Retail 2011 £'000	Pawn- broking scrap 2011 £'000	Cheque cashing 2011 £'000	Other financial services 2011 £'000	Unallocated assets/ (liabilities) 2011 £'000	Consolidated year ended 2011 £'000
<b>Other information</b>								
Capital additions (*)	–	–	–	–	–	–	5,124	5,124
Depreciation and amortisation (*)	–	–	–	–	–	–	2,770	2,770
<b>Balance sheet</b>								
<b>Assets</b>								
Segment assets	52,865	2,506	26,306	627	2,280	1,026		85,610
Unallocated corporate assets							38,990	38,990
Consolidated total assets								124,600
<b>Liabilities</b>								
Segment liabilities	–	–	(595)	–	(23)	(22)		(640)
Unallocated corporate liabilities							(46,677)	(46,677)
Consolidated total liabilities								(47,317)

(\*) 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.

**Major customers**

Included in revenues arising from Gold Purchasing and Pawnbroking Scrap segments are revenues from the Group's largest customer of £52,068,000 (2011: £48,760,000) and from its second largest customer of £11,046,000 (2011: £23,942,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 7. Profit before taxation

	2012 £'000	2011 £'000
<b>Profit before taxation has been arrived at after charging:</b>		
Depreciation of property, plant and equipment reported within:		
- Other direct expenses	2,866	2,451
- Administrative expenses	86	106
Amortisation of intangible assets (reported within Other direct expenses)	266	213
Loss on disposal of property, plant and equipment	89	117
Cost of inventories recognised as expense	66,839	59,202
Write downs of inventories recognised as an expense	575	880
Staff costs (see note 9)	22,448	21,604
Impairment loss recognised on pawnbroking financial assets (*)	291	356
Provision recognised/(released) on pawnbroking financial assets (*)	99	(133)
Impairment loss recognised on cheque cashing financial assets (*)	2,329	1,288
Provision recognised/(released) on cheque cashing financial assets (*)	50	(43)
Impairment loss recognised on other financial services financial assets(*)	460	635
Provision (released)/recognised on other financial services financial assets (*)	(93)	237

(\*) 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 26.

## 8. Auditor's remuneration

The analysis of auditor's remuneration, exclusive of VAT, is as follows:

	2012 £'000	2011 £'000
<b>Fees payable to the Company's auditor for the audit of the Company's annual accounts</b>	<b>38</b>	38
<b>Fees payable to the Company's auditor for other services to the Group</b>		
- The audit of the Company's subsidiaries pursuant to legislation	44	39
<b>Total audit fees</b>	<b>82</b>	77
- Tax services	10	10
- Other services	-	2
<b>Total non-audit fees</b>	<b>10</b>	12

The Company and Group audit fees are borne by a subsidiary undertaking, Harvey & Thompson Limited.

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 auditor and its associates in respect of associated pension schemes.



## 9. Information regarding directors and employees

### Non-executive directors' emoluments

3 (2011: 3) non-executive directors receive payments for services rendered to the H&T Group plc group. Their emoluments are included in the analysis below.

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Directors' emoluments</b>		
Aggregate emoluments	<b>961</b>	1,621
Company pension contributions to money purchase schemes	<b>55</b>	54
	<b>1,016</b>	1,675

All executive directors during the year (2011: all) participated in Harvey & Thompson Limited's money purchase pension scheme. In addition, £223,000 (2011: £252,000) was charged to the Consolidated Statement of Comprehensive Income in respect of the fair value of the share options and conditional shares granted to the directors under the different schemes. One (2011: none) director exercised options over shares in the Company in the year.

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Highest paid director</b>		
Aggregate emoluments	<b>349</b>	713
Company pension contributions to money purchase scheme	<b>24</b>	23

In addition, £97,000 (2011: £95,000) was charged to the Consolidated Statement of Comprehensive Income in respect of the fair value of the share options and conditional shares granted under the different schemes.

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Average number of persons employed (including directors)</b>		
Branches	<b>1,003</b>	867
Administration	<b>104</b>	92
	<b>1,107</b>	959

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	<b>19,837</b>	19,130
Share option compensation expense (note 28)	<b>431</b>	340
Social security costs	<b>1,932</b>	1,899
Other pension costs	<b>248</b>	235
	<b>22,448</b>	21,604

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 10. Investment revenues

	2012 £'000	2011 £'000
<b>Interest revenue:</b>		
Bank deposits	2	1

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

	2012 £'000	2011 £'000
Loans and receivables (including cash and bank balances)	2	1

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

## 11. Finance costs

	2012 £'000	2011 £'000
Interest on bank loans	1,530	1,705
Other interest	2	3
Total interest expense	1,532	1,708

## 12. Tax charge on profit

### a) Tax on profit on ordinary activities

	2012 £'000	2011 £'000
<b>Current tax</b>		
United Kingdom corporation tax charge at 24.5% (2011: 26.5%) based on the profit for the year	4,030	6,258
Adjustments in respect of prior years	(17)	(274)
Total current tax	4,013	5,984
<b>Deferred tax</b>		
Timing differences, origination and reversal	(31)	(87)
Effects of change in tax rate	65	62
Adjustments in respect of prior years	30	(627)
Total deferred tax (note 24)	64	(652)
<b>Tax charge on profit</b>	<b>4,077</b>	<b>5,332</b>

## 12. Tax charge on profit (continued)

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than that resulting from applying a blended standard rate of corporation tax in the UK of 24.5% (2011: 26.5%).

The differences are explained below:

	<b>2012</b> <b>£'000</b>	2011 £'000
Profit before taxation	<b>16,973</b>	23,466
Tax charge on profit at standard rate	<b>4,159</b>	6,218
Effects of:		
Disallowed expenses and non-taxable income	<b>(192)</b>	(151)
Non-qualifying depreciation	<b>32</b>	104
Effect of change in tax rate	<b>65</b>	62
Adjustments to tax charge in respect of previous periods	<b>13</b>	(901)
<b>Total actual amount of tax charge</b>	<b>4,077</b>	5,332

In addition to the amount charged to the income statement and in accordance with IAS 12, the excess of current and deferred tax over and above the relative related cumulative remuneration expense under IFRS 2 has been recognised directly in equity. This amounted to a charge to equity in the current period of £350,000 (2011: credit of £204,000).

## 13. 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:

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 2012			Year ended 31 December 2011		
	Earnings £'000	Weighted average number of shares	Per-share amount pence	Earnings £'000	Weighted average number of shares	Per-share amount pence
<b>Earnings per share basic</b>	<b>12,896</b>	<b>35,897,434</b>	<b>35.92</b>	18,134	35,475,781	51.12
<b>Effect of dilutive securities</b>						
Options and conditional shares	–	2,094,734	(1.98)	–	2,001,577	(2.73)
<b>Earnings per share diluted</b>	<b>12,896</b>	<b>37,992,168</b>	<b>33.94</b>	18,134	37,477,358	48.39

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 14. Dividends

	2012 £'000	2011 £'000
<b>Amounts recognised as distributions to equity holders in the period:</b>		
Final dividend for the year ended 31 December 2011 of 7.00 pence (2010: 6.00p) per share	2,552	2,120
Interim dividend for the year ended 31 December 2012 of 3.80 pence (2011: 3.75p) per share	1,389	1,348
	<b>3,941</b>	3,468
<b>Amounts proposed and not recognised:</b>		
Proposed final dividend for the year ended 31 December 2012 of 8.05p (2011: 7.00p) per share.	2,945	2,527

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.

## 15. Goodwill

	Goodwill arising on purchase of subsidiaries £'000	Goodwill arising on trade and asset purchases £'000	Total goodwill £'000
<b>Cost and carrying amount</b>			
At 1 January 2012	14,133	2,740	16,873
Recognised on acquisition of trade and assets	–	808	808
At 31 December 2012	14,133	3,548	17,681

There are no recognised impairment losses at either 1 January 2011, 1 January 2012 or 31 December 2012 and accordingly, the carrying amount of goodwill is the purchase cost.

Goodwill acquired in a business combination is allocated as follows:

	2012 £'000	2011 £'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	391
Stores acquired in 2010	19	19
Stores acquired in 2011	48	48
Stores acquired in 2012	808	–
	<b>17,681</b>	16,873

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 CGUs 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.

**16. Other intangible assets**

	<b>Software £'000</b>	<b>Customer relationships £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2011	1,673	1,095	2,768
Additions	2	80	82
At 1 January 2012	1,675	1,175	2,850
Additions	2	598	600
At 31 December 2012	1,677	1,773	3,450
<b>Amortisation</b>			
At 1 January 2011	1,208	582	1,790
Charge for the year	67	146	213
At 1 January 2012	1,275	728	2,003
Charge for the year	67	199	266
At 31 December 2012	1,342	927	2,269
<b>Carrying amount</b>			
At 31 December 2012	335	846	1,181
At 31 December 2011	400	447	847

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 17. Property, plant and equipment

	Short leasehold premises £'000	Long leasehold premises £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2011	16,266	224	3,317	4,104	23,911
Additions	4,254	10	355	374	4,993
Disposals	(556)	(4)	(35)	(69)	(664)
Reclassification	562	–	1	(563)	–
At 1 January 2012	20,526	230	3,638	3,846	28,240
Additions	3,187	88	360	615	4,250
Disposals	(1,691)	(72)	(28)	(147)	(1,938)
Reclassification	–	–	–	–	–
At 31 December 2012	22,022	246	3,970	4,314	30,552
<b>Accumulated depreciation and impairment</b>					
At 1 January 2011	8,056	178	2,490	2,436	13,160
Charge for the year	1,894	18	362	283	2,557
Disposals	(463)	(4)	(31)	(49)	(547)
Reclassification	437	–	1	(438)	–
At 1 January 2012	9,924	192	2,822	2,232	15,170
Charge for the year	2,231	14	378	329	2,952
Disposals	(1,030)	(63)	(26)	(130)	(1,249)
Reclassification	–	–	–	–	–
At 31 December 2012	11,125	143	3,174	2,431	16,873
<b>Carrying amount</b>					
At 31 December 2012	10,897	103	796	1,883	13,679
At 31 December 2011	10,602	38	816	1,614	13,070

Capital commitments for tangible and intangible assets are disclosed in note 32.

## 18. 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.

## 19. Inventories

	2012 £'000	2011 £'000
Retail and scrap stock	26,233	29,439

Of the retail and scrap stock approximately 99% represents gold, jewellery and watch items. The remaining balance is miscellaneous items (mostly electrical goods and art pieces) which were previously held as pledge collaterals and subsequently forfeited.

**20. Trade and other receivables**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Trade receivables	<b>53,651</b>	49,647
Other debtors	<b>1,028</b>	170
Pledge accrued income	<b>7,033</b>	6,564
Prepayments and other accrued income	<b>2,311</b>	2,158
	<b>64,023</b>	58,539

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

**Cash and cash equivalents**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Cash and cash equivalents	<b>6,371</b>	4,695

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 26.

**21. Trade and other payables**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Trade creditors	<b>1,868</b>	1,386
Other taxation and social security costs	<b>545</b>	570
Accruals and deferred income	<b>4,013</b>	6,758
	<b>6,426</b>	8,714

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 29 days (2011: 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.

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Corporation tax	<b>2,182</b>	3,631

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 22. Borrowings

	2012 £'000	2011 £'000
<b>Secured borrowing at amortised cost</b>		
Bank loans – falling due within one year	34,000	–
Bank loans – falling due after one year	–	34,000
<b>Total borrowings</b>	<b>34,000</b>	<b>34,000</b>

The Group's borrowings throughout 2012 were provided by Barclays Bank plc under a four year Credit Agreement (signed on 30 July 2009). This facility allowed for maximum borrowings of £50m, with a margin of between 2.00% and 3.00% dependent on leverage ratios.

This facility was due to expire on 29 July 2013. To remove any near term refinancing risk, the Company has, post the year-end, entered into a new four year loan agreement with Lloyds TSB Bank plc. The key terms of the new facility are:

Key Term	Description
Total Facility Size	£50m
Termination Date	30 January 2017
Utilisation	The facility is available to be drawn down to the full £50m so long as the Company remains compliant with leverage and interest cover ratios as stipulated in the Credit Agreement.
Margin	The facility has an interest calculation of LIBOR plus a margin of between 1.25% and 2.25%, dependent on ratios as stipulated in the Credit Agreement.
Interest Payable	Interest due on the loans is payable at each interest period end. As at 31 January 2013, the interest period was 1 month. Interest amounts outstanding at the year end are included in accruals.
Fixed Repayments	No capital repayments prior to termination date.

### Deferred debt issue costs

There were no deferred debt issue costs to write off in the period (2011: £nil).

### Security

The facility is secured by a fixed and floating charge over various assets of the Group.

### Undrawn borrowing facilities

At 31 December 2012, the Company had available £16,000,000 (2011: £16,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

### Derivative financial instruments

For part of the year, the Company had in place an interest rate swap agreement to hedge the one month LIBOR element of the interest cost on a notional value of £34,000,000 (2011: £34,000,000) of the borrowings to 2.63% (2011: 2.63%). This swap expired on 30 August 2012 and hence the fair value of this instrument at 31 December 2012 was £0 (2011: £418,000).

### 23. Derivative financial instruments

	2012 £'000	2011 £'000
<b>Financial assets carried at fair value through profit or loss ("FVTPL")</b>		
Interest rate swaps – liability	–	418

The change in fair value of the interest rate swaps is recorded in the Consolidated Statement of Comprehensive Income, being a gain of £ 418,000 in the year to 31 December 2012 (2011: gain of £533,000).

Further details of derivative financial instruments are provided in note 26.

### 24. 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 2011	780	241	(767)	(263)	(272)	(281)
Prior year adjustment	(627)	–	–	–	–	(627)
(Credit)/charge to income	(9)	(70)	4	(117)	167	(25)
Credit to equity	–	–	–	(204)	–	(204)
<b>At 1 January 2012</b>	<b>144</b>	<b>171</b>	<b>(763)</b>	<b>(584)</b>	<b>(105)</b>	<b>(1,137)</b>
Prior year adjustment	25	–	5	–	–	30
(Credit)/charge to income	(84)	(14)	106	(79)	105	34
Debit to equity	–	–	–	350	–	350
<b>As 31 December 2012</b>	<b>85</b>	<b>157</b>	<b>(652)</b>	<b>(313)</b>	<b>–</b>	<b>(723)</b>

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.

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact future reduction in the main tax rate down to 21% by 1 April 2014. As this tax rate was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with IAS 10, as it is a non-adjusting event occurring after the reporting period.

### 25. Provisions

	Dilapidation provision £'000
At 1 January 2012	554
Additional provision	10
Provision utilised/released in the year	(46)
At 31 December 2012	518

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 26. Financial instruments

The Group's financial assets and liabilities, as defined under IAS 39, and their estimated fair values are as follows:

At 31 December 2012	Fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book value total £'000	Fair value total £'000
<b>Financial assets</b>					
Pawnbroking trade receivables	–	58,272	–	58,272	62,355
Cheque cashing trade receivables	–	1,168	–	1,168	1,168
Other financial services trade receivables	–	1,229	–	1,229	1,229
Other assets	–	1,043	–	1,043	1,043
Cash and cash equivalents	–	6,371	–	6,371	6,371
<b>Financial liabilities</b>					
Trade and other payables	–	–	(4,666)	(4,666)	(4,666)
Borrowings due within one year	–	–	(34,000)	(34,000)	(34,000)
Interest rate derivatives	–	–	–	–	–
<b>Net financial (liabilities)/assets</b>	<b>–</b>	<b>68,083</b>	<b>(38,666)</b>	<b>29,417</b>	<b>33,500</b>

At 31 December 2011	Fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book value total £'000	Fair value total £'000
<b>Financial assets</b>					
Pawnbroking trade receivables	–	52,865	–	52,865	58,170
Cheque cashing trade receivables	–	2,280	–	2,280	2,280
Other financial services trade receivables	–	1,026	–	1,026	1,026
Other assets	–	210	–	210	210
Cash and cash equivalents	–	4,695	–	4,695	4,695
<b>Financial liabilities</b>					
Trade and other payables	–	–	(4,955)	(4,955)	(4,955)
Borrowings due after one year	–	–	(34,000)	(34,000)	(34,000)
Interest rate derivatives	(418)	–	–	(418)	(418)
<b>Net financial (liabilities)/assets</b>	<b>(418)</b>	<b>61,076</b>	<b>(38,955)</b>	<b>21,703</b>	<b>27,008</b>

### Fair value

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

- (i) For trade receivables relating to Pawnbroking, 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
  - Assumed scrap profits on the proportion of the Group's pledge book that is not expected to be redeemed, i.e. those loans upon which the Group does not recognise interest due to the uncertainty of recovery.
- (ii) Other trade receivables and other assets are considered to have fair values which are the same as their book values due to the short period over which they will be recovered. Book values for both cheque cashing and financial services trade receivables are calculated net of provisions, and hence represent the Group's best estimate of recovery values based upon recent debt collections experience.
- (iii) Cash and cash equivalents are all held on interest bearing bank accounts are considered to have a fair value the same as their book value.
- (iv) For derivative instruments, the fair value has been calculated by discounting the future estimated cash flows based on the applicable yield curve derived from quoted interest rates.



## 26. Financial instruments (continued)

### Fair value (continued)

- (v) For borrowings and trade and other payables, the book value approximates to fair value because of their short maturities and interest rates where applicable. None of the trade or other payables 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.

The fair value of the interest rate derivative is determined by reference to a valuation model where the inputs are derived from publically available sources. This valuation therefore falls within level 2 of the fair value hierarchy in IAS39. The fair value of the pawnbroking trade receivables is determined using a model where the inputs are derived from historical trends monitored by the group. This valuation therefore falls within level 3 of the fair value hierarchy in IAS 39. The fair value of all other financial instruments is equivalent to their book value due to their short maturities.

### Financial risks

The Group monitors and manages the financial risks relating to the financial instruments held. The principal risks include credit risk on financial assets, and liquidity and interest rate risk on financial liability borrowings. The key risks are analysed below.

#### Credit risk

##### Pawnbroking trade receivables

The Group is exposed to credit risk through customers defaulting on their loans. The key mitigant to this risk is the requirement for the borrower to provide collateral (the pledge) in entering a pawnbroking contract. The collateral acts to minimise credit risk as a customer's pledge becomes the property of the pawnbroker on default of the loan.

In addition to holding collateral, the Group further mitigates credit risk by:

- i) Applying strict lending criteria to all pawn loans

Pledges are rigorously tested and appropriately valued. In all cases where the Group lending policy is applied, the value of the pledge items is in excess of the pawn loan.

The Group estimate that the current fair value of the collateral is £81,773,000 (2011: £80,348,000), which compares with the total book value of the pledge book plus associated accrued interest of £58,272,000 (2011: £53,822,000).

- ii) Seeking to improve redemption ratios:

For existing customers, loan history and repayment profiles are factored into the loan making decision. The Group has a high customer retention ratio and all customers are offered high customer service levels.

Given the current price of gold, a fall in redemption ratios is forecast to result in higher scrap profits more than offsetting the lost interest received. A 2% decrease / increase in the Group's redemption ratio is estimated to impact the pre-tax profit by £36,000/(£36,000). This does not account for lost repeat business however, and as such the Group sees more value in retaining a high redemption ratio.

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

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

The legal title that the Group can enforce on these items, and their ongoing security are therefore vital to the Group to ensure that the credit risk is mitigated to an acceptable level. The Group continually reviews and monitors, at both store and at Board level, its internal controls to ensure the adequacy of the pledged items. The key aspects of this are:

- Appropriate details are kept on all customers the Group transacts with;
- All pawn contracts comply with the Consumer Credit Act 2006;
- Appropriate physical security measures are in place to protect pledged items;
- An internal audit department monitors compliance with policies at the Group's stores.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 26. Financial instruments (continued)

### Credit risk (continued)

#### Pawnbroking trade receivables (continued)

The Pawnbroking trade receivables are disclosed net of the provision for bad and doubtful debts associated with these financial assets, including full provision on assets notified to the Group by the police as frozen assets. The movement in the provision is as follows:

	<b>£'000</b>
Balance at 1 January 2011	482
Net Consolidated Statement of Comprehensive Income charge	223
Written off	(356)
Balance at 31 December 2011	349
Net Consolidated Statement of Comprehensive Income charge	390
Written off	(291)
Balance at 31 December 2012	448

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

	<b>2012</b>	2011
	<b>£'000</b>	£'000
0 – 90 days	<b>8,574</b>	7,552
Over 90 days	<b>3,225</b>	2,642
Total	<b>11,799</b>	10,194

The Group has not provided for the £11,799,000 (2011: £10,194,000) 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 until three months after the end of the credit agreement since it is commercial practice to allow additional time for the customers to redeem their pledged items, for an additional fee.

The maximum exposure to credit risk would be £58,272,000 (2011: £53,822,000), being the gross carrying amount net of any amounts offset and any impairment losses.

#### Other trade receivables

This class represents amounts recoverable by the Group through receivables arising from the other financial services activities it engages in, and is exposed to credit risk through default on the loan amounts for Pay Day Advance and KwikLoan, or default from the drawer for Third Party Cheque Encashment. On each product the Group employs appropriate policies to mitigate the credit risk including credit checks, obtaining legal security provided and appropriate staff recruitment and training policies. 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 internal audit activities. In the event of default by the customer, the Group has also developed a debt collection department to recover any outstanding debt.

**26. Financial instruments (continued)***Credit risk (continued)**Other trade receivables (continued)*

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

	<b>Cheque cashing £'000</b>	<b>Other financial services £'000</b>	<b>Total £'000</b>
Balance at 1 January 2011	703	240	943
Net Consolidated Statement of Comprehensive Income charge	1,245	872	2,117
Written off	(1,288)	(635)	(1,923)
Balance at 31 December 2011	660	477	1,137
Net Consolidated Statement of Comprehensive Income charge	2,379	367	2,746
Written off	(2,329)	(460)	(2,789)
Balance at 31 December 2012	710	384	1,094

The Group has no overdue receivables at the reporting date (2011: none). Trade receivables not overdue are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

*Cash and cash equivalents*

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 is as follows:

	Credit rating	<b>2012 £'000</b>	2011 £'000
Barclays Bank plc	A2	<b>3,753</b>	2,171
The Royal Bank of Scotland plc	A3	<b>329</b>	494
Cash at stores	–	<b>2,289</b>	2,030
		<b>6,371</b>	4,695

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 26. Financial instruments (continued)

### Market risk

#### Pawnbroking trade receivables

The collateral which protects the Group from credit risk on non-redemption of pawn loans is 99% (2011: 99%) comprised of gold, jewellery items and watches. 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 31 January 2013, the Group estimates that a 29% 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.

Considering areas outside of those financial assets defined under IAS 39, the Group is subject to higher degrees of pricing risk. The price of gold will affect future Group profitability in three key ways:

- i) A lower gold price will adversely affect the scrap disposition margins on existing stock, whether generated by pledge book forfeits or via the Group's purchasing operations. While scrap profits will be impacted immediately, retail margins may be less impacted in the short term.
- ii) While the Group's lending and purchasing rates do not track gold price movements in the short term, any sustained fall in the price of gold is likely to cause lending and purchasing rates to fall in the longer term thus potentially reducing future profitability as:
  - a. the size of the pledge book and associated yield is directly linked to lending rates, and
  - b. assuming constant disposition margins, absolute disposition profits would decrease as lending and purchasing rates decrease
- iii) A lower gold price may reduce the attractiveness of the Group's gold purchasing operations.

Conversely, a lower gold price may dampen competition as lower returns are available and hence this may assist in sustaining margins.

### Liquidity risk

#### Borrowings

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 22, which shows that the Group has arrangements in place to for funding until 2017. At 31 December 2012, the Group also has available £16,000,000 (2011: £16,000,000) 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, and as described in note 22, the Group currently has a £50m facility which is available to draw upon. Furthermore, as shown in note 30, 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.

## 26. Financial instruments (continued)

### Liquidity risk (continued)

#### Borrowings (continued)

The maturity analysis of the cash flows arising from both current borrowing arrangements and the derivative classes that expose the Group to liquidity risk are 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
<b>At 31 December 2012</b>								
Floating rate borrowings	66	67	280	34,073				34,486
Trade and other payables	1,868	2,798	–	–	–	–	–	4,666
Non-derivative total	1,934	2,865	280	34,073				39,152
Derivatives	–	–	–	–	–	–	–	–
<b>Total</b>	1,934	2,865	280	34,073	–	–	–	39,152

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
<b>At 31 December 2011</b>								
Floating rate borrowings	77	69	281	421	34,501	–	–	35,349
Trade and other payables	1,386	3,569	–	–	–	–	–	4,955
Non-derivative total	1,463	3,638	281	421	34,501	–	–	40,304
Derivatives	52	60	237	126	–	–	–	475
<b>Total</b>	1,515	3,698	518	547	34,501	–	–	40,779

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.

### Interest rate risk

#### Borrowings

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.

Analysis is shown below to demonstrate the sensitivity on profitability of a 1% change in LIBOR, subject to LIBOR being a minimum of 0%. 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 26. Financial instruments (continued)

### Interest rate risk (continued)

#### Borrowings (continued)

	<b>1.0% decrease in interest rates £'000</b>	<b>1.0% increase in interest rates £'000</b>
<b>At 31 December 2012</b>		
Finance costs: gain/(loss)	<b>168</b>	<b>(340)</b>
Movement in fair value of interest rate swap (loss)/gain	-	-
Total pre tax impact on profit from gain/(loss)	<b>168</b>	<b>(340)</b>
Post tax impact on equity gain/(loss)	<b>128</b>	<b>(258)</b>
<b>At 31 December 2011</b>		
Finance costs: gain/(loss)	51	(115)
Movement in fair value of interest rate swap (loss)/gain	(105)	200
Total pre tax impact on profit from (loss)/gain	(54)	85
Post tax impact on equity (loss)/gain	(40)	63

#### Financial Assets

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.

## 27. Share capital

	2012 £'000	2011 £'000
<b>Issued and fully paid</b>		
36,586,256 (2011: 36,093,885) ordinary shares of £0.05 each	<b>1,830</b>	1,805

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

In 2012 492,371 new ordinary £0.05 shares were issued, called up and fully paid. Of these new ordinary shares, 3,689 were issued to satisfy options granted in 2006 exercised at a grant price of £1.825 per share, resulting in an increase in share capital of £184 and in the share premium account of £6,548. A further 4,170 were issued to satisfy options granted in 2007 exercised at a grant price of £2.175 per share, resulting in an increase in share capital of £209 and in the share premium account of £8,861. A further 16,287 shares were issued to satisfy options granted in 2008 exercised at a grant price of £1.755 per share, resulting in an increase in share capital of £814 and in the share premium account of £27,769. A further 172,281 shares were issued to satisfy options granted in 2009 exercised at a grant price of £1.94 per share, resulting in an increase in share capital of £8,614 and in the share premium account of £325,611. The remaining 295,944 were issued as part of the Group LTIP scheme as noted below, resulting in an increase in share capital of £14,797 with no change in the share premium account.

In 2011 462,058 new ordinary £0.05 shares were issued, called up and fully paid. Of these new ordinary shares, 16,976 were issued to satisfy options granted in 2006 exercised at a grant price of £1.825 per share, resulting in an increase in share capital of £849 and in the share premium account of £30,132. A further 29,895 were issued to satisfy options granted in 2007 exercised at a grant price of £2.175 per share, resulting in an increase in share capital of £1,494 and in the share premium account of £63,527. A further 181,735 shares were issued to satisfy options granted in 2008 exercised at a grant price of £1.755 per share, resulting in an increase in share capital of £9,087 and in the share premium account of £309,858. The remaining 233,452 were issued as part of the 2011 LTIP grant as noted below, resulting in an increase in share capital of £11,673 with no change in the share premium account.

Options over shares of the Company are disclosed in note 28. Under these share option arrangements, there are 1,664,684 (2011: 1,673,612) open options over shares.

### Employee Benefit Trust shares reserve

Under the terms of the LTIP for directors, the parent company issued 272,206 ordinary shares of £0.05p to the Employee Benefit Trust, with consideration paid for through the issuance of a loan to the Trust from the Group. The Group presents these 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. The award of shares under the LTIP is conditional upon certain vesting criteria, as outlined in note 28.

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 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

### Gearing ratio

Although the Group reviews its gearing ratio at each reporting date, no specific target has been fixed by management. The Group's gearing ratio at the year end is as follows:

	2012 £'000	2011 £'000
<b>Gearing ratio</b>		
Debt	<b>34,000</b>	34,000
Cash and cash equivalents	<b>(6,371)</b>	(4,695)
Net debt	<b>27,629</b>	29,305
Equity	<b>86,765</b>	77,283
Net debt to equity ratio	<b>32%</b>	38%

Debt is defined as long and short-term borrowings, as detailed in note 22, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 28. Share based payments

As at 31 December 2012, the Company operated three share award schemes. The charge for the year in respect of all schemes was:

	<b>2012</b>	2011
	<b>£'000</b>	£'000
A. Approved Share Option Scheme	<b>94</b>	38
B. Unapproved Share Option Scheme	<b>63</b>	97
C. Long-term Incentive Plan	<b>274</b>	205
	<b>431</b>	340

Awards that can be granted under the three schemes total a maximum of 3,658,626 shares (2011: 3,609,389 shares).

### A. Approved Share Option Scheme ('ASOS')

The Approved Share Option Scheme is a share option scheme approved by HMRC where favourable tax treatment is received on exercise by the employee. The options may be granted to all management from Shop Manager to Executive Director level. The Remuneration Committee of the ultimate parent company, H&T Group plc, sets the performance conditions.

The performance conditions applicable to the options granted in 2006, 2007, 2008 and 2009 have already been met. The performance conditions applicable to grants in subsequent years are as follows:

- Options granted in 2010, 2011 and 2012 become exercisable subject to continued employment within the Group as at the exercise date.

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:

	<b>Grant date</b>	<b>Exercise price pence</b>	<b>Number of shares</b>	<b>date of exercise</b>	<b>Expiry date</b>
<b>ASOS 2006</b>	September 2006	182.5	26,564	7/09/2009	6/09/2016
<b>ASOS 2007</b>	May 2007	217.5	28,558	16/05/2010	15/05/2017
<b>ASOS 2008</b>	May 2008	175.5	46,526	15/05/2011	14/05/2018
<b>ASOS 2009</b>	April 2009	194.0	73,531	30/04/2012	29/04/2019
<b>ASOS 2010</b>	April 2010	245.5	154,796	19/04/2013	18/04/2020
<b>ASOS 2011</b>	April 2011	298.5	183,547	18/04/2014	17/04/2021
<b>ASOS 2012</b>	March 2012	297.0	218,808	29/03/2015	28/03/2022

An external valuation firm has calculated the fair value of the options granted during the year in accordance with International Financial Reporting Standard ("IFRS") 2. A Black-Scholes model was used to value the ASOS awards as they do not contain any market based performance condition. The fair value calculated and assumptions used are as follows:

	<b>2012</b>	2011
Fair value at measurement date	<b>49.25 pence</b>	69.3 pence
Weighted average share price	<b>297.0 pence</b>	298.5 pence
Weighted average exercise price	<b>297.0 pence</b>	298.5 pence
Expected volatility	<b>27%</b>	27%
Expected life	<b>6.5 years</b>	6.5 years
Risk-free rate	<b>1.2%</b>	2.9%
Expected dividends	<b>3.7%</b>	2.9%

The expected volatility was determined by calculating the historical volatility of the share price of the H&T Group plc shares 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 7.7 years.

## 28. Share based payments (continued)

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

	Number of share options	2012 Weighted average exercise price (in pence)	Number of share options	2011 Weighted average exercise price (in pence)
Outstanding at beginning of period	687,941	236.3	711,075	205.6
Granted during the period	234,130	297.0	225,533	298.5
Forfeited during the period	(59,253)	266.1	(93,566)	239.2
Exercised during the period	(130,488)	192.1	(155,101)	184.4
Outstanding at the end of the period	732,330	261.2	687,941	236.3
Exercisable at the end of the period	175,179	191.2	128,871	188.2

### B. Unapproved Share Option Scheme ('USOS')

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

The performance conditions applicable to the options granted in 2006, 2007, 2008 and 2009 have already been met. The performance conditions applicable to grants in subsequent years are as follows:

- In 2010, 2011 and 2012 that an option may not be exercisable unless the Total Shareholder Return (TSR) over 3 years exceeds the FTSE AIM 100 performance.

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	date of exercise	Expiry date
<b>USOS 2006</b>	September 2006	182.5	126,027	7/09/2009	6/09/2016
<b>USOS 2007</b>	May 2007	217.5	112,643	16/05/2010	15/05/2017
<b>USOS 2008</b>	May 2008	175.5	146,424	15/05/2011	14/05/2018
<b>USOS 2009</b>	April 2009	194.0	152,215	30/04/2012	29/04/2019
<b>USOS 2010</b>	April 2010	245.5	318,134	19/04/2013	18/04/2020
<b>USOS 2011</b>	April 2011	298.5	58,734	18/04/2014	17/04/2021
<b>USOS 2012</b>	March 2012	297.0	18,177	29/03/2015	28/03/2022

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 28. Share based payments (continued)

### B. Unapproved Share Option Scheme ('USOS') (continued)

An external valuation firm has undertaken fair value calculations of the options granted during the year using a Stochastic model, with the results and key assumptions as follows:

	2012	2011
Fair value at measurement date	<b>42.0 pence</b>	59.2 pence
Weighted average share price	<b>297.0 pence</b>	298.5 pence
Weighted average exercise price	<b>297.0 pence</b>	298.5 pence
Expected volatility	<b>27%</b>	32.0 %
Expected life	<b>6.5 years</b>	6.5 years
Risk-free rate	<b>1.2%</b>	2.9 %
Expected dividends	<b>3.7%</b>	2.9 %

The expected volatility was determined by calculating the historical volatility of the share price of the H&T Group plc shares 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 6.1 years.

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

	Number of conditional share options	2012 Weighted average exercise price (in pence)	Number of conditional share options	2011 Weighted average exercise price (in pence)
Outstanding at beginning of period	<b>985,671</b>	<b>215.5</b>	956,567	209.2
Granted during the period	<b>18,177</b>	<b>297.0</b>	60,526	298.5
Forfeited during the period	<b>(5,555)</b>	<b>230.6</b>	(1,792)	298.5
Exercised during the period	<b>(65,939)</b>	<b>194.0</b>	(29,630)	175.5
Outstanding at the end of the period	<b>932,354</b>	<b>218.5</b>	985,671	215.5
Exercisable at the end of the period	<b>537,309</b>	<b>191.2</b>	385,094	190.1

### C. Long-term Incentive Plan ('LTIP')

The LTIP is a discretionary share incentive scheme under which the Remuneration Committee of H&T Group plc can grant ordinary shares at no cost to executive directors and other senior management.

The LTIP operates as conditional shares awarded over a defined year performance period and 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 performance condition applicable to the 2011 and 2012 grants are as follows:

- That the award may not be exercisable unless the TSR of H&T Group plc over the performance period exceeds the TSR of the FTSE AIM 100 index.
- For the 2011 grant, this is measured over three separate performance periods. One third of the award vests if the condition is met in the 2011 calendar year. A further third vests if the condition is met in the 2012 calendar year and the final third vests if the condition is satisfied in the 2013 calendar year.
- For the 2012 grant, the performance period is from 1 January 2012 to 31 December 2014.

**28. Share based payments (continued)**

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

	<b>Grant date</b>	<b>Number of shares</b>	<b>Earliest date of exercise</b>
LTIP 2011	Mar 2011	233,452	01/04/2014
LTIP 2012	Apr 2012	272,206	17/04/2015

The conditional shares granted during the year were valued by an external valuation firm using a Stochastic model. The fair value result and key assumptions used in 2012 valuation are as follows:

	<b>2012</b>	2011
Fair value at measurement date	<b>171.7 pence</b>	164.0 pence
Weighted average share price	<b>292.0 pence</b>	302.5 pence
Weighted average exercise price	<b>0 pence</b>	0 pence
Expected volatility	<b>30%</b>	33%
Expected life	<b>3.0 years</b>	3.0 years
Risk free rate	<b>0.6%</b>	1.3%

The expected volatility was determined by calculating the historical volatility of the share price of the H&T Group plc as an indicator of the future volatility. Correlation between the Group and the comparator index was not included within the modelling of fair value calculations since the observed correlation was not significant and would therefore have negligible impact on the final fair value.

The average remaining contractual life is 1.8 years for those awards where performance conditions have not yet been satisfied.

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

	<b>Number of conditional share options</b>	<b>2012 Weighted average exercise price (in pence)</b>	Number of conditional share options	2011 Weighted average exercise price (in pence)
Outstanding at beginning of period	<b>488,099</b>	–	254,647	–
Granted during the period	<b>272,206</b>	–	233,452	–
Forfeited during the period	–	–	–	–
Exercised during the period	<b>(254,647)</b>	–	–	–
Outstanding at the end of the period	<b>505,658</b>	–	488,099	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012 continued

## 29. Operating lease arrangements

The Group as lessee

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Minimum lease payments under operating leases recognised as an expense in the year	<b>7,027</b>	6,073

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:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Within one year	<b>6,768</b>	6,736	<b>88</b>	79
In the second to fifth years inclusive	<b>16,850</b>	14,840	<b>114</b>	160
After five years	<b>14,297</b>	9,993	<b>–</b>	–
	<b>37,915</b>	31,569	<b>202</b>	239

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, with a break option after 5 years.

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

## 30. Notes to the cash flow statement

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Profit for the financial year	<b>12,896</b>	18,134
Adjustments for:		
Investment revenues	<b>(2)</b>	(1)
Finance costs	<b>1,532</b>	1,708
Movement in fair value of interest rate swap	<b>(418)</b>	(553)
Movement in provisions	<b>(36)</b>	68
Tax expense – Consolidated Statement of Comprehensive Income	<b>4,077</b>	5,332
Depreciation of property, plant and equipment	<b>2,952</b>	2,557
Amortisation of intangible assets	<b>266</b>	213
Share-based payment expense	<b>416</b>	316
Loss on disposal of fixed assets	<b>89</b>	117
Operating cash flows before movements in working capital	<b>21,772</b>	27,891
Decrease/(increase) in inventories	<b>3,206</b>	(5,298)
Increase in receivables	<b>(4,628)</b>	(8,226)
Decrease in payables	<b>(1,914)</b>	(349)
Cash generated from operations	<b>18,436</b>	14,018
Income taxes paid	<b>(5,462)</b>	(6,714)
Interest paid	<b>(1,534)</b>	(1,730)
Net cash generated from operating activities	<b>11,440</b>	5,574

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.

### 31. 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. There were no other material related party transactions during the year.

#### 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':

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Short-term employee benefits	<b>1,301</b>	2,146
Pension contributions	<b>77</b>	75
Share-based payments	<b>291</b>	269
	<b>1,669</b>	2,490

### 32. Capital commitments

There is no significant capital expenditure authorised and contracted for but not provided in the accounts (2011: £nil).

### 33. Events after the balance sheet date

The directors have proposed a final dividend for the year ended 31 December 2012 of 8.05p (note 14).

Post the year end, the Group has secured a new four year financing agreement with Lloyds TSB Bank plc as disclosed in note 22.

# INDEPENDENT AUDITOR'S 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 2012 which comprise the Company Balance Sheet, the Company combined reconciliation of movements in shareholders' funds and statement of movement on reserves and the related notes A to F. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and to express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2012 and its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the group financial statements of H&T Group plc for the year ended 31 December 2012.



Ian J Smith (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Crawley, United Kingdom  
6 March, 2013

# COMPANY BALANCE SHEET

At 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Investments	C	891	475
		<b>891</b>	475
<b>Current assets</b>			
Debtors	D	41,589	41,599
Cash at bank and in hand		44	42
		<b>41,633</b>	41,641
<b>Creditors: amounts falling due within one year</b>	E	<b>(10,476)</b>	(6,806)
<b>Net current assets</b>		<b>31,157</b>	34,835
<b>Total assets less current liabilities</b>		<b>32,048</b>	35,310
<b>Net assets</b>		<b>32,048</b>	35,310
<b>Capital and reserves</b>			
Called up share capital	F	1,830	1,805
Share premium account		25,397	24,961
Employee Benefit Trust shares reserve		(25)	(25)
Share option reserve		891	475
Profit and loss account		3,955	8,094
<b>Total shareholders' funds</b>		<b>32,048</b>	35,310

The financial statements of H&T Group plc, registered number 05188117, were approved by the board of directors and authorised for issue on 6 March, 2013.

Signed on behalf of the Board of Directors by:



**J G Nichols**  
Chief Executive

## COMPANY COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

Year ended 31 December 2012

Company	Note	Share capital £'000	Share premium account £'000	Employee benefit trust shares reserve £'000	Share option reserves £'000	Profit and loss account £'000	2012 Total £'000
At 1 January		<b>1,805</b>	<b>24,961</b>	<b>(25)</b>	<b>475</b>	<b>8,094</b>	<b>35,310</b>
(Loss) for the financial year		-	-	-	-	<b>(198)</b>	<b>(198)</b>
Dividend paid		-	-	-	-	<b>(3,941)</b>	<b>(3,941)</b>
Issue of share capital	F	<b>25</b>	<b>436</b>	-	-	-	<b>461</b>
Employee Benefit Trust shares		-	-	-	-	-	-
Share option credit taken directly to equity		-	-	-	<b>416</b>	-	<b>416</b>
At 31 December		<b>1,830</b>	<b>25,397</b>	<b>(25)</b>	<b>891</b>	<b>3,955</b>	<b>32,048</b>

Company	Note	Share capital £'000	Share premium account £'000	Employee benefit trust shares reserve £'000	Share option reserves £'000	Profit and loss account £'000	2011 Total £'000
At 1 January		1,782	24,557	(13)	159	11,707	38,192
(Loss) for the financial year		-	-	-	-	(145)	(145)
Dividend paid		-	-	-	-	(3,468)	(3,468)
Issue of share capital	F	23	404	-	-	-	427
Employee Benefit Trust shares		-	-	(12)	-	-	(12)
Share option credit taken directly to equity		-	-	-	316	-	316
At 31 December		1,805	24,961	(25)	475	8,094	35,310

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2012

## 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 Directors' 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.

### Investments

Fixed assets investments are shown at cost less provision for impairment.

### 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 Black-Scholes model or a Stochastic 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.

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.



# NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2012 continued

## B. Company profit and loss account

No profit and loss account is presented for the parent company pursuant to section 408 of Companies Act 2006.

The Company made a loss after taxation of £198,000 in 2012 (2011: £145,000 loss).

The auditors' remuneration for the current and preceding financial years is borne by a subsidiary undertaking, Harvey & Thompson Limited. Note 8 to the Group financial statements discloses the amount paid in respect of the Company.

The directors did not receive any emoluments for their services to the company (2011: £nil). Other than the directors, the Company has no employees in either financial year.

## C. Investments

<b>Shares in subsidiary undertakings</b>	<b>Total £'000</b>
<b>Cost</b>	
At 1 January 2012	475
Additions	416
At 31 December 2012	891

Within the cost at 1 January 2012 includes cost of shares in subsidiary undertakings of £1.

Additions relates to the share options given to subsidiary employees in 2012.

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

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

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

**D. Debtors**

	<b>2012</b> <b>£'000</b>	2011 £'000
Amounts owed by subsidiary companies	<b>41,565</b>	41,565
Prepayments and accrued income	<b>24</b>	34
	<b>41,589</b>	41,599

**E. Creditors: amounts falling due within one year**

	<b>2012</b> <b>£'000</b>	2011 £'000
Amounts owed to subsidiary companies	<b>10,388</b>	6,720
Accruals and deferred income	<b>88</b>	86
	<b>10,476</b>	6,806

**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 (note 27), and dividends paid and proposed (notes 14 and 33).

# STORE DIRECTORY

## Acton

158 High Street, W3 6QZ  
Tel: 020 8993 2586

## 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

## Bedminster

84 East Street, Bedminster, Bristol, BS3 4EY  
Tel: 01179 666 321

## Bexleyheath

109 The Broadway Centre, DA6 7JH  
Tel: 020 8303 9403

## Birkenhead

The Grange Shopping Centre  
26 Borough Pavement, CH41 2XX  
Tel: 0151 647 5053

## Birmingham

102 Bull Street, B4 7AA  
Tel: 0121 236 3082

## Birmingham

10 Ethel Street, B2 4BG  
Tel: 0121 632 5166

## Blackburn

Unit 2, 3 Ainsworth Street, BB1 6AS  
Tel: 01254 260 040

## 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

## Brixton

Arch 9, Atlantic Road, SW9 8HX  
Tel: 020 7733 8457

## Bromley

78 High Street, BR1 1EY  
Tel: 020 8460 2986

## Burnt Oak

75 Burnt Oak Broadway, HA8 5EP  
Tel: 020 8952 2523

## Bury

Get>Go, 22 Market Street, BL9 0AJ  
Tel: 0161 797 1330

## Camberwell

72 Denmark Hill, SE5 8RZ  
Tel: 020 7738 7927

## 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

## Cheetham Hill

Unit 5 Cheetham Hill Shopping Centre, M8 5EL  
Tel: 0161 740 6556

## Chelmsford

25 High Chelmer, CM1 1XR  
Tel: 01245 259 004

## 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

## Colchester

10 Short Wyre Street, CO1 1LN  
Tel: 01206 765 433

## 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  
Tel: 0151 523 0085

## Coventry

10a Hales Street, CV1 1JD  
Tel: 02476 256 220

## Coventry

Unit 1, Shelton Square, CV1 1DG  
Tel: 02476 223 623

## Crawley

11 Broadwalk, Northgate, RH10 1HJ  
Tel: 01293 618 270

## Crewe

c/o Crewe Jewellers, 21 Victoria Street, CW1 2HF  
Tel: 01270 254 888

## Croydon East

16 George Street, CR0 1PA  
Tel: 020 8680 1470

## Croydon West

12 London Road, CR0 2TA  
Tel: 020 8680 4738

## Croydon Whitgift

Unit 145A Whitgift Centre, CR0 1UT  
Tel: 020 8680 4443

## 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  
Tel: 01325 361 781

## Dartford Lite

Unit 33, The Orchards Shopping Centre,  
DA1 1DN  
Tel: 01322 224 918

## Deptford

72 Deptford High Street, SE8 4RT  
Tel: 020 8692 3092

## Deptford

60 Deptford High Street, SE8 4RT  
Tel: 020 8469 4204

## Derby

33 Victoria Street, DE1 1ES  
Tel: 01332 291 623

## Doncaster

CPJ, 23 High Street, DN1 1DW  
Tel: 01302 812 099

## Downham

c/o Jeannies Jewellery,  
438 Bromley Road, BR1 4PP  
Tel: 020 8697 6212

## Dudley

215 Wolverhampton St., DY1 1EF  
Tel: 01384 238 577

## Duke Street

487 Duke Street, Glasgow, G31 1DL  
Tel: 0141 554 9332

## Dundee

116 Seagate, DD1 2ET  
Tel: 01382 205 213

## Durham

The Cheque Shop, 69 North Road,  
DH1 4SQ  
Tel: 0191 374 1813

## East Ham

47 High Street North, E6 1HS  
Tel: 020 8586 6775

## East Kilbride

10 Princes Mall, G74 1LB  
Tel: 01355 232 520

## Easterhouse

Unit 19, Shandwick Square  
Shopping Centre  
Bogbain Rd, G34 9DT  
Tel: 0141 771 8796

## Eastleigh

43-45 Market Street, SO50 5RF  
Tel: 02380 615 552

## Edinburgh

106 Lauriston Place, EH3 9HX  
Tel: 0131 229 4448

## Edinburgh

78a Nicolson Street, EH8 9EW  
Tel: 0131 667 2022

## Edmonton

16 South Mall, Edmonton Green Shopping Centre,  
N9 0TN  
Tel: 020 8807 8302

## Elephant and Castle

212 E&C Shopping Centre, SE1 6TE  
Tel: 020 7252 4602

## Ellesmere Port

43 Marina Drive,  
Port Arcades Shopping Centre,  
CH65 0AN  
Tel: 0151 357 3176

## Eltham

89 Eltham High Street, SE9 1TD  
Tel: 020 8850 6963

## Fareham

119a West Street, PO16 0DY  
Tel: 01329 288 838

**Finsbury**

259-261 Seven Sisters Road, N4 2DD  
Tel: 020 7272 9249

**Forest Gate**

29 Woodgrange Road, E7 8BA  
Tel: 020 8555 5120

**Fulham**

224 Northend Road, W14 9NU  
Tel: 020 7385 3188

**Gateshead**

Unit 5, Jackson Street, NE8 1EE  
Tel: 0191 478 4107

**Gillingham**

169 High Street, ME7 1AQ  
Tel: 01634 855 053

**Glasgow**

9-11 Bath Street, G2 1HY  
Tel: 0141 332 5637

**Gloucester**

Unit 8, Grosvenor House, Station Road, GL1 1SZ  
Tel: 01452 309 042

**Govan**

595 Govan Road, G51 2AS  
Tel: 0141 445 1567

**Gravesend**

21 King Street, DA12 2EB  
Tel: 01474 363 611

**Great Bridge**

51 Great Bridge, DY4 7HF  
Tel: 0121 557 1413

**Great Western**

156 Great Western Road, G4 9AE  
Tel: 0141 332 0878

**Green Street**

342 Green Street, Upton Park, London, E13 9AP  
Tel: 020 8471 1335

**Greenock**

Unit 3 Hamilton Gate,  
Oakmall Shopping Centre, PA15 1JW  
Tel: 01475 726 616

**Grimsby**

6 Victoria Street, DN31 1DP  
Tel: 01472 355 489

**Hackney**

384 Mare Street, E8 1HR  
Tel: 020 8533 5663

**Hammersmith**

134 King Street, W6 0QU  
Tel: 020 8563 8585

**Harlesden**

72 High Street, NW10 4SJ  
Tel: 020 8838 5122

**Harlow**

23 Broad Walk, CM20 1JF  
Tel: 01279 417 128

**Harlow**

111 The Stow, CM20 3AS  
Tel: 01279 635 565

**Harrow**

324b Station Road, HA1 2DX  
Tel: 020 8861 1534

**Harrow**

14 St Anns Road, HA1 1LG  
Tel: 020 8863 0069

**Hastings**

18 Queens Road, Hastings, TN34 1QY  
Tel: 01424 430 190

**Hayes**

46 Station Road, UB3 4DD  
Tel: 020 8589 0805

**Holloway**

9 Seven Sisters Road, N7 6AJ  
Tel: 020 7281 8559

**Hounslow**

30 High Street, TW3 1NW  
Tel: 020 8570 4626

**Hull**

Unit 30, Prospect Centre, HU2 8PP  
Tel: 01482 228 946

**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

**Ilford**

211 High Road, IG1 1LX  
Tel: 020 8514 6372

**Irvine**

1/3 Bridgegate, KA12 8BJ  
Tel: 01294 273 823

**Kilburn**

139 Kilburn High Road, NW6 7HR  
Tel: 020 7624 3367

**Kilmarnock**

25 King Street, KA1 1PT  
Tel: 01563 527 748

**Kingston upon Thames**

26 Castle Street, KT1 1SS  
Tel: 020 8546 8365

**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

**Knightswood**

746 Anniesland Road, Glasgow, G14 0YU  
Tel: 0141 959 3694

**Leeds**

8 New Market Street, LS1 6DG  
Tel: 01132 449 352

**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

**Lewisham**

121 Lewisham High Street, SE13 6AT  
Tel: 020 8852 9961

**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 Armdale Centre, LU1 2TL  
Tel: 01582 486 711

**Macclesfield**

23 Chestergate, SK11 6BX  
Tel: 01625 430 699

**Margate**

72 High Street, Margate, CT9 1DT  
Tel: 01843 292 189

**Middlesbrough**

45 Dundas Street, TS1 1HR  
Tel: 01642 223 849

**New Addington**

14 Central Parade, CR0 0JB  
Tel: 01689 847 388

**Newcastle**

117 Grainger Street, NE1 5AE  
Tel: 0191 232 1924

**Newcastle**

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

**Northampton**

Unit 3, 71B Abington Street, NN1 2BH  
Tel: 01604 239 085

**Nottingham**

22-24 Upper Parliament Street, NG1 2AD  
Tel: 0115 947 6560

**Oldham**

Unit 34, Town Square Shop Centre,  
Town Centre, OL1 1HD  
Tel: 0161 627 5904

**Orpington**

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

**Orpington**

Unit 35, The Walnuts Shop Centre,  
High Street, BR6 0TW  
Tel: 01689 874 306

**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

**Penge**

136 High Street, SE20 7EU  
Tel: 020 8676 8220

**Peterborough**

1 Westgate, PE1 1YQ  
Tel: 01733 310 794

**Poplar**

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

**Portsmouth**

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

**Preston**

11 Friargate, PR1 2AU  
Tel: 01772 563 495

# STORE DIRECTORY

continued

## Reading

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

## Rochdale

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

## Romford

Unit 30, Liberty 2, Mercury Gardens  
RM1 3EE  
Tel: 01708 755 420

## Rotherham

2 Effingham Street, S65 1AJ  
Tel: 01709 363 686

## 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

## Scunthorpe

114 High Street, DN15 6HB  
Tel: 01724 843 817

## Sheffield

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

## Shepherds Bush

220 Uxbridge Road, W12 7JD  
Tel: 020 8811 2665

## Sidcup

76 High Street, DA14 6DS  
Tel: 020 8300 6242

## Slough

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

## Smethwick

Unit 16, West Cross Shopping Centre, B66 1JG  
Tel: 0121 555 7277

## Soho Road

224 Soho Road, Birmingham, B21 9LR  
Tel: 0121 507 0185

## South Norwood

24 High Street, SE25 6EZ  
Tel: 020 8771 8142

## Southall

1A The Broadway, UB1 1JR  
Tel: 020 8843 4920

## Southampton

113a East Street, SO14 3HD  
Tel: 02380 639 945

## Southend-on-Sea

95 Southchurch Road, SS1 2NL  
Tel: 01702 469 977

## Springburn

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

## St. Helens

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

## Stevenage

24 Westgate Centre, SG1 1QR  
Tel: 01438 365 153

## 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

## Stoke Newington

123 Stoke Newington High Street, N16 0PH  
Tel: 020 7923 9233

## Stoke on Trent

49-51 Stafford Street, ST1 1SA  
Tel: 01782 268 144

## Stratford

Unit 27, The Mall, Stratford Centre, E15 1XD  
Tel: 020 8519 7770

## Streatham

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

## Stretford

Unit 44, Ground Floor Brody Street Mall, Stretford  
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

## Sutton in Ashfield

Unit 44, Idlewells Shopping Centre,  
NG17 1BJ  
Tel: 01623 559 596

## Swindon

46 Bridge Street, SN1 1BL  
Tel: 01793 491 731

## Sydenham

37 Sydenham Road, SE26 5EX  
Tel: 020 8778 4964

## 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

## Tottenham

518 High Road, N17 9SX  
Tel: 020 8808 0600

## Tuebrook

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

## Uxbridge

Unit 11 Chequers Square, The Mall, UB8 1LN  
Tel: 01895 230 503

## Wallasey

Kiosk B/C, The Cherry Tree, CH44 5XU  
Tel: 0151 638 7744

## 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

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

## Walworth

241 Walworth Road, SE17 1RL  
Tel: 020 7277 4809

## Waterloo

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

## Watford

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

## Welling

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

## Welwyn Garden City

Unit 35a The Howard Centre,  
Howards Gate, AL8 6HA  
Tel: 01707 326 171

## Wembley

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

## West Bromwich

64 Kings Square (High Street),  
Sandwell Ctr, B70 7NW  
Tel: 0121 553 2728

## West Ealing

102 The Broadway, W13 0SY  
Tel: 020 8567 2016

## Wigan

21 Hope Street, Galleries Shopping Centre,  
WNI 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

## Wolverhampton

15-16 Queen Street, WV1 3JW  
Tel: 01902 424 908

## Wood Green

12 Cheapside, N22 6HH  
Tel: 020 8889 9484

## Woolwich

4 Powis Street, SE18 6LF  
Tel: 020 8317 9265

## Worcester Park

148 Central Road, KT4 8HH  
Tel: 020 8337 7307

## Workshop

27-29 Bridge Street, S80 1JA  
Tel: 01909 488 584

## Wythenshawe

Unit 1D, Hale Top, Civic Centre, M22 5RN  
Tel: 0161 498 8431





# H&T Group plc

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