The UK's leading pawnbroker

Our People
Focused on Our Customers

Annual Report and Accounts 2018

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Strategic report
04-28

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"H&T provides a range of simple and accessible financial products tailored for a customer base which has limited access to or is excluded from the traditional banking and finance sector."

John G Nichols
Chief Executive

Cautionary Statement
All statements other than statements of historical fact included in this document, including, without limitation those regarding the financial condition, results, operations and business of H&T Group plc and its strategy, plans and objectives and the markets in which it operates, are forward looking statements. Such forward looking statements which reflect the Directors' assumptions made on the basis of information available to them at this time, involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of H&T Group plc or the markets in which it operates to be materially different from future results, performance or achievements expressed or implied by such forward looking statements. Nothing in this document shall be regarded as a profit forecast and its directors accept no liability to third parties in respect of this report save as would arise under English law. In particular, section 463 of the Companies Act 2006 limits the liability of the directors of H&T Group plc so that their liability is solely to H&T Group plc.

Highlights 2018

Financial overview

Gross profit
£88.2m
(2017: £78.1m*)

EBITDA†
£16.8m
(2017: £15.1m*)

Profit before tax
£13.5m
(2017: £11.9m*)

Diluted EPS
29.2p
(2017: 25.9p*)

Dividend per share
11.0p
(2017: 10.5p)

*Restated for IFRS 9.
†See note 3 page 50 for the definition of EBITDA.

Key performance indicators

Pledge book (£m)
£52.0m
Up 9.5% (2017: £47.5m)

2018	52.0
2017	47.5
2016	41.3
2015	39.0
2014	38.5

Redemption of annual lending (%)
83.5%
(2017: 83.6%*)

2018	83.5
2017	83.6
2016	84.3
2015	83.4
2014	82.8

Net personal loan book (£m)
£20.5m
Up 37.6% (2017: £14.9m)

2018	20.5
2017	14.9
2016	9.4
2015	4.2
2014	3.1

*This is the actual percentage of lending in each year which was redeemed or renewed; the 2018 figure is an estimate based on recent trend and early performance.

Personal loan revenue less impairment (£m)
£7.0m
Up 79.5% (2017: £3.9m)

2018	7.0
2017	3.9
2016	3.5
2015	2.4
2014	1.8

Retail gross profits (£m)
£13.2m
Up 2.3% (2017: £12.9m)

2018	13.2
2017	12.9
2016	11.2
2015	10.3
2014	10.7

Number of stores
182 stores
(2017: 181 stores)

2018	182
2017	181
2016	181
2015	189
2014	191

*Certain comparative information in the financial statements has been restated as a result of the initial application of IFRS 9 as discussed in note 34 to the consolidated financial statements. Pre 2017 balances have not been restated above.

Chairman's statement

The Group has achieved growth in revenues from our core services of pawnbroking, retail and personal loans. We have improved store profitability and have also made further progress in the development of our online channel, although there is still considerable work to do.

Our est1897.co.uk site for watches is a great example of how we can successfully use the internet for retailing backed up by our store network. The opportunity to build on this concept for our core services is clear and will be a key part of our future strategy.

These activities have repositioned the business within the wider alternative credit market and have allowed the Group to access a broader customer base. The Board ensures that this growth is carefully managed with a clear focus on the changing risks, both regulatory and financial, that this product and channel diversification brings.

The growth in retail, FX and buyback also provide a degree of resilience to changes in the pawnbroking and lending marketplace.

Financial performance

The Group delivered profit after tax of £10.8m (2017: £9.5m) and diluted earnings per share of 29.2 pence (2017: 25.9 pence). Subject to shareholder approval, a final dividend of 6.6 pence per ordinary share (2017: 6.2 pence) will be paid on 31 May 2019 to those shareholders on the register at the close of business on 3 May 2019. This will bring the full year dividend to 11.0 pence per ordinary share (2017: 10.5 pence).

The Group's financial position is strong with growth in the combined personal loan and pawnbroking loan books to £72.5m (2017: £62.4m). The growth in these loan books has been funded through strong operating cashflows, with net debt increasing by just £0.3m to £13.6m at 31 December 2018 (2017: £13.3m).

At year end the Group had available headroom of £10.0m on its £35.0m borrowing facilities (2017: £8.0m headroom on its £30.0m facility).

Strategy

The demand for small-sum, short-term cash loans remains strong. The Group continues to focus on strategies to grow its pawnbroking offering while expanding its unsecured lending product and retail offering through digital and online strategies to complement its store estate.

We will continue to work towards our vision of helping our customers to protect and rebuild their credit history by expanding the proportion of them on products that falls outside high cost short-term lending. We will achieve this by continuing to focus on operational effectiveness aligned with the training, development and progression of our valuable staff.

We believe that our network of stores supports this development, whether through click-and-collect from the est1897 website or by providing a face-to-face underwriting decision for customers we cannot serve with an online loan. This real-world presence supported by an effective online and mobile proposition creates an important distinction between H&T and a purely online business.

In developing our Personal Loan product, we have a clear objective to provide our customers with a route to lower interest rate credit products as their relationship with H&T develops. We believe that this progression is beneficial to the customer, builds loyalty and meets the high standards required in this regulated marketplace.

Regulation

We are focused on meeting the needs of our customers by ensuring that we carefully assess creditworthiness and affordability, and provide loans that achieve the best outcomes for our customers.

We engage proactively with the Financial Conduct Authority (FCA) directly and through our trade associations and fully support the high standards the regulator seeks to deliver.

Prospects

The Board has regularly monitored the uncertainty surrounding Brexit during the year and we continue to evaluate the potential impacts on our staff, customers and suppliers, of various possible outcomes. We do have some EEA Nationals within our workforce, but we currently believe the potential impact of even unfavourable Brexit scenarios is likely to be limited. No product supply issues are foreseen.

While the macro economic impact is uncertain we believe our range of products is well positioned to take advantage of any eventuality. In the case of negative economic factors accompanying an unfavourable Brexit outcome a possible stabiliser exists if it is accompanied by weakness in sterling. Were this scenario to occur it would result in a higher sterling gold price which should provide an offsetting uplift to Group profits. The business has traded positively during the recent period of heightened uncertainty. Demand for our services remains strong and the development in our products and distribution enables us to capture a larger share of the significant alternative credit market.

Our thoughtful approach to growth reflects our intention to provide our consumers with a service that maintains the highest standards of affordability and seeks to avoid any consumer detriment.

We have taken steps during the year to provide cover for our Finance Director Steve Fenerty, who is recovering from illness. We thank Richard Withers for his interim and ongoing support in this regard. Our thanks go to Malcolm Berryman who has retired as a Non-Executive Director for his excellent work on behalf of H&T; we wish him every success. We welcome Elaine Draper and Mark Smith to the board as Non-Executive Directors.

On behalf of the Board and our shareholders, I would like to thank everyone at H&T for their hard work and dedication over the past year.

Peter D McNamara
Chairman

Our business

Who we are

As at 31 December 2018, 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 1800s and over the years has built or acquired some of the oldest and largest pawnbrokers in the UK. Presence on the high street and excellent customer service to a localised customer base have always underpinned H&T's approach. For example, the store in Edinburgh has operated from the same building and served the same community for more than 150 years.

Our status

H&T's listing on AIM in 2006 provided the Group with access to new sources of finance. This has enabled its development by adding new products and services and bringing the store network to 182 at 31 December 2018 (2017: 181).

Our market-place

H&T operates in a fast-moving, competitive environment. It will continue to succeed by focussing on customer needs, training, developing and retaining key staff, developing existing and new products and expanding its distribution channels.

Our strategy

"H&T will be the premier provider of alternative credit in the UK through a range of services that help our customers protect and rebuild their credit rating and return to the mainstream."

There are three elements to delivery of the strategy:

1. Maintain the performance of our core products and stores;
2. Develop a range of credit products to serve a wider customer base; and
3. Enhance distribution by delivering services in store, online and through mobile devices.

Our customers

We are here for customers who need to raise funds outside of mainstream channels. Customers borrow from us as opposed to mainstream lenders due to several factors including speed of service, convenience, necessity or having experienced some form of historic credit problems.

Our customers often need money to meet day-to-day expenses, having run into temporary cashflow difficulties. Sums borrowed are relatively small but required quickly. We meet this demand effectively by our in-store products. A pawnbroking or personal loan is typically made in store within 20 minutes.

Our foreign currency offering, which continues to expand, attracts a non-lending customer but the service provision of the product is complementary to our other products.

Each of our stores offers a diverse range of retail watches and jewellery, attractive to our lending and non-lending customers.

Personal service

We offer our services both online and in store and ensure that there is a member of staff available for our customers to speak to if they have any questions.

Our staff understand that each customer has different needs and they use our range of products to help them to find the best solution. We believe that providing customers with the option of face-to-face interaction in-store helps to build trust and understanding and delivers genuine, high-quality service.

Customer profile

Gender split

Pawnbroking	**45%**
Personal Loans	**60%**
Retail	**44%**
Buyback	**66%**

Pawnbroking	**55%**
Personal Loans	**40%**
Retail	**56%**
Buyback	**34%**

Age profile

Pawnbroking

18-24	**6%**
25-35	**25%**
36-44	**23%**
44-55	**25%**
56+	**21%**

Personal Loans

18-24	**10%**
25-35	**34%**
36-44	**24%**
44-55	**21%**
56+	**11%**

Retail

18-24	**8%**
25-35	**21%**
36-44	**20%**
44-55	**21%**
56+	**30%**

Buyback

18-24	**14%**
25-35	**39%**
36-44	**23%**
44-55	**17%**
56+	**7%**

Customer feedback

(Source: Trustpilot)

H&T – *"I'm so happy with the service and friendly and professional staff.* They know how to help customers, they gave me good advice and treated me fairly. I'm so grateful for their help. I highly recommend then to anyone!!!."

Est1897/Retail – "Purchased a beautiful necklace with the assistance of a lovely young lady, I told her that I required a special birthday present for someone and *she was so helpful*."

Loan transactions – "Went in to pawn a necklace for the first time and *the staff member that served me was very helpful.* The value of the item wasn't much but she still treated me as if it was valuable which was nice; explained everything with no rush."

Our products

H&T provide a wide range of services but at the core is the provision of money to our customer base whether through a loan or by selling an asset to us.

PAWNBROKING

A pawnbroking loan is secured on an item of value with a term of up to six months. We will lend on any asset we can accurately value, typically jewellery and watches. The customer enters into a consumer credit agreement for a period of six 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. If the customer chooses not to redeem or renew the loan H&T will take action to dispose of the goods. The customer has no liability to us beyond the value of the goods.

PERSONAL LOANS

H&T's Personal Loans are available in store and online. They offer flexibility on the length of loan and regular repayment amount, depending on the personal circumstances of each customer. Before issuing a loan we establish the customer's identity and complete a thorough affordability assessment. If approved, the customer enters into a consumer credit loan agreement and we will collect the repayments on the dates agreed with the customer.

JEWELLERY RETAIL

H&T offers a range of new and second-hand jewellery and watches sourced from our pledge book, purchased over the counter or purchased from suppliers. All H&T's jewellery is professionally cleaned, restored and valued before being re-distributed for sale at stores across the country.

PURCHASING

Purchasing is a simple way for customers to use their unwanted items, predominantly gold, to raise some cash. The process is straightforward with the store assessing the items, agreeing a price with the customer and purchasing the goods for cash on the spot.

FOREIGN EXCHANGE

H&T offers a foreign exchange service at competitive rates and with no commission charges, further establishing one of our core strengths of offering great value to the customer.

BUYBACK

Increasingly, a younger generation of customers is seeking the opportunity to raise cash from electronic items such as phones, tablets, and game consoles. Customers can sell their electronic items to H&T for cash and buy the item back within 31 days. This product is particularly popular with the younger generation; 53% (2017: 53%) of our customers are aged under 35.

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. 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.

Our channels

Stores

We continue to invest in our face-to-face offering and increased our store footprint via a single-site operation during the year. The commitment to offering our customer a choice of channels is key to our strategy.

Linking digital with store presence

In 2018 we invested further in and made progress with our digital development by, for example launching a new in-store valuation system. This system makes it easier for our staff to value assets in store and improves the speed of service and customer experience.

Our omni-channel approach continues to progress, where we originate customers online and conclude transactions in-store. This is particularly relevant to online retail, as customers choose to view high-value items such as pre-owned luxury watches prior to purchase.

Our click-and-collect travel money offering was relaunched in February 2018, giving our customers a wider choice of how to transact with us.

We continue to integrate a CRM (Oracle) system into all our core processes which gives us greater insight and data into the customer's history with H&T. This allows us to provide a consistent service, regardless of how the customer interacts with us, whether it be in a store, online or via one of our central sales teams.

Increased number of customers are finding our stores online and contacting them directly. This is achieved by either our store finder page or via a google my business profile. Our retail website www.est1897.co.uk has continued to see growth in the number of unique visits month on month.

IT Security & Infrastructure

We have made significant investment in the IT infrastructure during 2018 with key focus on improving IT Security and service availability.

IT Security remains a high priority for the Group, with a major refresh of the core and endpoint networking components. Our security defences were further strengthened by the adoption of an industry leading File Integrity Monitoring (FIM) solution and Antivirus/Malware detection and prevention technologies.

Core IT services were migrated in March to a global cloud solution provider, who has continually exceeded their contracted service uptime metric of 99.5%.

Internal software development work was completed to replace the Expert Eye system with Unity, which is part of the wider Customer Relationship Management (CRM) initiative. Unity plays a key role in supporting the valuation of a high value items for stores, by an internal team of experts.

We are continuing our focus on IT Security and availability in 2019, with work scheduled to refresh the entire desktop estate with new terminals. Our IT Security countermeasures will continue to evolve and improve in response to a changing threat landscape across the Group.

Chief Executive's review

The Group has produced a strong trading performance and has continued to make good progress in its strategic development. Our intention is to get the best possible result from our core operations, develop a range of additional credit products and expand the online channel. We have delivered against all of those objectives in the past year.

The Group delivered profit before tax of £13.5m (2017: £11.9m) due to improved gross profits in the key segments of pawnbroking, retail and personal loans.

THE MARKET

During 2018 despite uncertainties elsewhere we experienced relative stability in terms of external factors impacting our business, with a stable gold price and general UK economic stability. This has allowed us to continue to refine our propositions and expand our customer base.

There remains a significant consumer requirement for carefully assessing the affordability of loans, together with offering a flexible product range.

OUR STRATEGY

The Group's strategy is to serve a customer base whose access to mainstream credit is limited and for whom small-sum loans can help to address short-term financial challenges. The Group will continue to deliver this strategy by developing a range of lending products, both secured and unsecured, offered in store and online. In expanding our credit products we aim to genuinely help our customers and have updated our vision statement to reinforce that vital message within the business.

Our Vision:

> *"H&T will be the premier provider of alternative credit in the UK through a range of services that help our customers protect and rebuild their credit rating and return to the mainstream."*

The development of a diversified suite of services including retail, buyback and FX, improves returns and reduces the Group's exposure to gold price volatility.

We continue to innovate and explore how to interact most effectively with our customers through the development of introducer channels, our online capability and our brand. This development is supported by our stores that provide our online customer with the opportunity to speak to a trained member of staff face to face or to collect an item that they reserved online.

The United Kingdom is in the process of withdrawing from the European Union, and is scheduled to leave on 29 March 2019. We are closely following events as they develop. We have set out our analysis of the potential impact of Brexit on the Group in the Chairman's Statement on page 2.

REVIEW OF OPERATIONS

Pawnbroking

Pawnbroking is a small subset of the consumer credit market in the UK and a simple form of asset-backed lending where an item of value, known as a pledge (typically jewellery and watches), is given in exchange for a cash loan. Customers who repay the capital sum borrowed plus interest receive their pledged item back. If a customer fails to repay the loan we sell (retail, auction or scrap) the pledged item in order to repay the amount borrowed plus interest. Should there be a surplus resulting from this process, the customer is paid that amount in full.

Pawnbroking is our core business, we are the largest UK pawnbroker in terms of number of outlets, customers and amounts lent. It is the key focus area for the business and where we invest most resource in terms of training and development. Yields are attractive, and the debt is always secured on the item pledged.

Gross profits from pawnbroking after impairment, increased 5.5% to £30.9m (2017: £29.3m) and the pledge book increased 9.5% to £52.0m (31 December 2017: £47.5m) because of increased customer numbers and growth in higher value loans, in particular lending on higher carat gold and watches. We have seen increased lending through both our owned store estate and through our Appointed Introducer Relationships (brokerage arrangements).

The risk-adjusted margin (revenue as a percentage of the average net pledge book) was 62.2% (2017: 64.2%). The reduction in risk-adjusted margin is a result of the changing business mix to higher value, lower interest rate loans. Redemption of annual lending has remained consistently high at an estimated 83.5% for lending in 2018 (2017 actual: 83.6%).

The Group has benefitted from the expertise provided by the Expert Eye service, recently upgraded to Unity. This allows high quality images of assets in store to be assessed by our team of experts which in turn improves both the quality of decisions made and extends the range of assets on which we can lend. This has assisted the development of lending secured on watches and diamonds during the year.

The Group is investing in software to assist the management of customer enquiries in respect of pawnbroking as well as the acquisition of new partners to introduce customers to the business. This investment will allow an expansion to the broker and online channels in respect of pawnbroking during 2019.


£50k
Pawn Loans
Borrow money against your assets

Chief Executive's review (continued)

Pawnbroking summary:

	2018 £'000	Restated 2017 £'000	Change %
Year-end net pledge book[1]	51,991	47,451	9.6%
Estimated average pledge book	49,721	45,637	8.9%
Revenue less impairment	30,912	29,299	5.5%
Annualised risk-adjusted margin[2]	*62.2%*	*64.2%*	

[1] Includes accrued interest and impairment
[2] Revenue less impairment as a percentage of average loan book

All comparative information for 2017 have been restated as a result of the initial application of IFRS 9 as discussed in note 34.

Retail

The Group offers a value for money proposition in new and second-hand jewellery. We believe there is further growth potential in this segment by leveraging our retail store estate and our e-commerce operations as well as by cross-selling to customers of other services.

Retail sales increased 8.5% to £38.3m (2017: £35.4m), gross profits increased 2.3% to £13.2m (2017: £12.9m) and margin reduced to 34.4% (2017: 36.3%). Margin reduction was due to a higher proportion of new items sold in 2018 as opposed to pre-owned, more lower margin watches sold and discounting on aged jewellery during 2018.

The Group has reduced retail inventories during the year with average monthly balances being £1.7m, 5% lower during 2018 than 2017. The stock reduction has been primarily targeted around the reduction of aged items, which has been achieved by implementing targeted promotional activity and discounts during the year.

It is pleasing that the development of both our www.handt.co.uk and www.est1897.co.uk websites has led to a 238% increase in generated revenues over the year with revenue growing to £2.7m (2017: £0.8m). The development of our online to store customer journey has resulted in 85% of the online generated items sold being fulfilled in-store. These are generally higher value watches and jewellery, while opportunity exists to further develop our basket sales.

Further website improvements are planned for our est1897 website, which currently holds more than 2,000 high-end pre-owned watches and jewellery items, and to our Customer Relationship Management system. The intention is to include a larger range of items on our site and drive a higher proportion of basket fulfilled sales as opposed to in-store fulfilment. CRM enhancements are intended to improve the online to in-store experience and conversion rates.

Personal loans

The net personal loans book has increased by 37.6% to £20.5m (31 December 2017: £14.9m). Revenue less impairment is an important measure of the performance of personal loans as it represents the net profit derived directly from our lending activities. Revenue less impairment has increased by 79.5% to £7.0m (2017: £3.9m) because of increased customer numbers and the expansion in our longer term, lower interest rate loan product, delivered through our store estate.

The increase in the risk-adjusted margin (RAM) to 38.3% (2017: 36.0%) is the result of a slowdown in the growth of the book and therefore a lower proportion of the lending to new customers compared with 2017. Existing and repeat customers have a different risk profile. We have proportionally more repeat customers in 2018 than we had in 2017.

Impairment as a percentage of the average monthly net loan book has improved to 68.9% (2017: 75.0%), reflecting the increased mix of lower yield, higher quality loans.

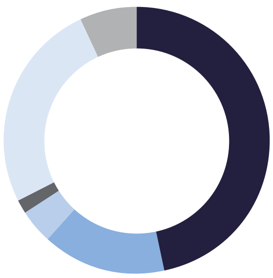
In line with the strategy of providing larger loans over longer terms at a lower interest rate, our 49.9% APR product launched in May 2017 now represents £1.2m of the book as at 31 December 2018. This product is designed to provide a "near prime" option for our best customers. Due to these initiatives, 59% of the personal loan book is now not 'High Cost Short Term' (HCSTC).

New customer lending of £38.0m was made through our stores during 2018 vs £3.0m lent via our online channel.

Personal loans summary:

	2018 £'m	Restated for IFRS 9 2017 £'m	Change %
Year-end net loan book	20.5	14.9	37.6%
Average monthly net loan book	18.2	10.9	67.0%
Revenue	22.5	15.6	44.2%
Impairment	(15.5)	(11.7)	32.5%
Revenue less impairment	7.0	3.9	79.5%
Interest yield[1]	*123.6%*	*143.1%*	
Impairment % of revenue	*68.9%*	*75.0%*	
Impairment % average monthly net loan book	*85.2%*	*107.3%*	
Risk-adjusted margin[2]	*38.5%*	*35.8%*	

[1] Revenue as a percentage of average loan book
[2] Revenue less impairment as a percentage of average loan book



GROSS PROFIT BREAKDOWN

Pawnbroking	46.8%
Retail	15.0%
Gold purchasing	4.3%
Pawnbroking scrap	1.6%
Personal loans	25.4%
Other services	6.9%

Pawnbroking scrap

The average gold price during 2018 was £950 per troy ounce (2017: £976), a 2.7% decrease. The gold price directly impacts the revenue received on the sales of scrapped gold.

Gross profits reduced by 26.3% to £1.4m (2017: £1.9m), primarily due to a fall in gold price between the date the items were pledged and the date that they were scrapped.

Gold purchasing

Gross profits increased to £3.8m (2017: £3.4m). Primarily due to an increase in volume sold.

Other services

Other services principally comprise FX, buyback and cheque cashing. Gross profits from other services increased to £6.1m (2017: £5.9m).

The key growth components of FX and buyback improved in the year with gross profits from FX increasing to £3.6m (2017: £2.9m) and buyback increasing to £1.6m (2017: £0.9m).

FX is a simple transactional product which attracts a new customer base to the business. During the year we have made improvements to currency holdings in store, offering a wider choice, and have enhanced our point of sale materials including the introduction of improved digital rate boards. We further expanded our FX customer catchment by introducing FX click and collect to our website.

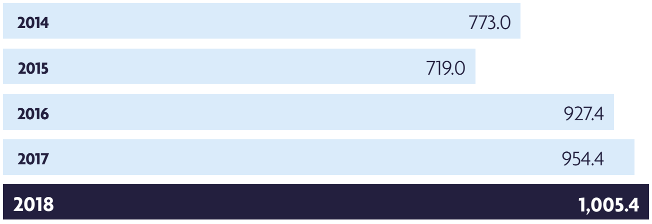
Buyback enables the Group to service a customer base who may not have appropriate assets for a pawnbroking loan. The principal assets purchased are mobile phones, tablets and games consoles. During the year we invested further in system development to support the valuation and testing of the items in store.

STORE DEVELOPMENT

	2014	2015	2016	2017	2018
Acquired	1	—	—	—	1
New Stores	4	—	—	—	—
Closed	(8)	(2)	(8)	—	—
Estate Total	**191**	**189**	**181**	**181**	**182**

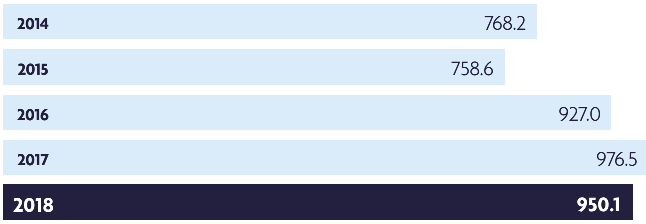
END OF PERIOD STERLING GOLD PRICE

(£ per troy oz)



AVERAGE STERLING GOLD PRICE

(£ per troy oz)



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

Finance review

The Board considers the continued investment in people and systems to be vital in repositioning the business to take advantage of the market conditions.

FINANCIAL RESULTS

For the year ended 31 December 2018 gross profit increased 12.9% from £78.1m (restated for IFRS 9) to £88.2m driven by growth in the core segments of pawnbroking, retail and personal loans.

Total direct and administrative expenses increased by 12.5% to £73.9m from £65.7m. Of the £8.2m increase, £5.0m relates to increased impairment charges because of growth in the pawnbroking and personal loan books. The £3.2m, 7.2% increase in costs (excluding impairment) to £48.0m from £44.8m is principally a result of investment in staff to support business volumes in personal loans and new initiatives. The Board considers the continued investment in people and systems to be vital in repositioning the business to take advantage of the market conditions.

Finance costs increased 33% to £0.8m (2017: £0.6m), reflecting the higher utilisation of the Group external loan facility during 2018 following expansion in the pawnbroking and personal loan books.

Profit before tax increased by £1.6m to £13.5m, up 13.4% from £11.9m (restated for IFRS 9) in 2017.

CASH FLOW

The growth in profit for the year resulted in an increase in operating cash flows (before movements in working capital) of 12.7% to £16.9m (2017: £15.0m).

The Group accelerated the growth in its pawnbroking secured lending and reduced the rate of growth in personal loans during 2018 resulting in an increase in receivables of £9.9m in the year (2017: £12.0m). The retail inventory reduction of £4.9m and increased profits more than offset this growth, resulting in a cash inflow from operating activities of £5.9m (2017: outflow of £3.5m).

BALANCE SHEET

As at 31 December 2018, the Group had net assets of £107.0m (2017: £99.7m restated for IFRS 9) with year-end net debt of £13.6m (2017: £13.3m) delivering a reduction in gearing to 12.7% (2017: 13.3%).

The Group has a facility with Lloyds Bank plc allowing for maximum borrowings of £35.0m, subject to covenants, at a margin of between 1.75% and 2.75% above LIBOR. At year end £25.0m was drawn on the facility (2017: £22.0m) and the Group was well within the covenants with a net debt to EBITDA ratio of 0.72x and an EBITDA to interest ratio of 28.86 (see note 3 for the definition of EBITDA). The facility has a termination date of 30 April 2020.

The combination of low gearing and a secure credit facility provides the Group with the ability to make selective investments in the future while maintaining appropriate headroom.

IFRS 9

IFRS 9 Financial Instruments was adopted for our 2018 financial results with 2017 comparatives restated; further information is provided in note 2 and 34 to the consolidated financial statements. Under the new standard we reflect expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Under IFRS 9 there is an increase in both revenue and impairment for Pawnbroking and Personal Loans. The net impact of the change from IAS 39 to IFRS 9 provision on 2018 results has been to decrease revenue less impairment by £1.3m for Personal Loans and by £0.1m in relation to Pawnbroking.

IFRS 15

IFRS 15 Revenue from Contracts and Customers was applied in 2018. Apart from providing more extensive disclosures for the Group's revenue transactions, application of IFRS 15 has not had an impact on the financial position and/or financial performance of the Group. Further information is provided in note 2 to the consolidated financial statements.

IFRS 16

IFRS 16 is a new standard on lease accounting which will be effective from 1 January 2019. The standard requires the recognition of significant leases on the balance sheet, increasing both the asset and liability and changes the nature of costs on the income statement, with a positive impact on EBITDA. The overall impact on the Group's Statement of Comprehensive Income for 2018 is likely to be favourable by £0.3m. Further information is provided in note 2 to the consolidated financial statements.

ACQUISITIONS AND DISPOSALS

The Group acquired a single site pawnbroking business net of acquired cash for £0.6m during the year. Net assets were acquired at fair value. No disposals of stores or loan books took place in the year.

IMPAIRMENT REVIEW

The Group performs an annual review of the expected earnings of each acquired store and considers whether the associated goodwill and other property, plant and equipment are impaired. There was no impairment charge during 2018 (2017: £nil).

SHARE PRICE AND EPS

At 31 December 2018, the share price was 264p (2017: 335p) and market capitalisation was £99.4m (2017: £124.6m). Basic earnings per share were 29.3p (2017: 26.0p), diluted earnings per share were 29.2p (2017: 25.9p).

James Thornton
Senior Independent Director
and Chair of Audit Committee

Principal risks and uncertainties

The Directors of H&T Group plc have carried out a robust assessment of the principal risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity.

The Board retains ultimate responsibility for the Group's risk management framework and appetite, including reviewing its effectiveness and risk exposures measured through the Group's Key Risk Indicators. The Board has delegated responsibility for annually reviewing the overall effectiveness of the risk management programme to the Risk Committee. The internal audit function provides assurance to the Audit Committee on the effectiveness of the internal control procedures through completion of a risk based annual audit plan, which takes into account the current risks faced by the Group. The compliance function provides assurance to the Risk Committee on regulatory and reputational risk through the completion of the annual compliance monitoring plan.

The Group's risk management framework and appetite is embedded in the Group's management and governance processes and is overseen by the Board. Risks are identified both at a Board and an operational level, they are assessed and, where appropriate, individuals within the business are given responsibility for the management of that risk. The Group has in place formal processes for the identification of new risks or a change to an existing risk. The Risk Committee oversees a formal periodic review of our assessment of individual risks, mitigating activities and associated remedial actions.

The table below sets out the principal risks and uncertainties facing the Group and how we mitigate them. This is not an exhaustive analysis of all the risks the Group may face as there may be additional risks and uncertainties that are not currently known to the Board or have not been included in this section on the basis that they are not considered to be material.

Area	Description of risk	Examples of mitigating activities
Regulatory risk	Loss arising from a breach of existing regulation or regulatory changes in the markets within which the Group operates	• Experienced Board both in credit and FCA regulated businesses • Dedicated Internal Audit and Compliance functions • Completion of the annual risk based compliance monitoring plan • Well-developed procedures, training, systems and operational controls • Head of audit & compliance monitors legislative changes and supports departmental compliance functions as required • Expert third-party legal and/or compliance advice is sought where necessary • Membership of appropriate trade associations who assist with both regulatory awareness and relationships
Gold price	A significant fall in the gold price impacting the security of pledge and the revenues from scrap operations The exit of the UK from the European Union may increase volatility in the sterling gold price as the exchange rate adjusts to the new market conditions	• Ensure sufficient headroom on bank covenants to absorb a reduction in gold price, should it occur, without covenant breach • Monitoring of gold price at Board level • Annual testing of forecasts sensitised for gold price • Maintenance of appropriate margin between pledge value and gold price • Lending on alternative high value items • Review possible use of hedging instruments • Focus on increasing redemption rates to minimise reliance on disposition • Increase retail sales as a disposition hedge

Area	Description of risk	Examples of mitigating activities
Theft and fraud	Loss of inventory or pledge	• High levels of physical security • Insurance for material losses • Systems and procedures to minimise risk
	Internal theft and fraud	• Ensure staff are highly motivated • Avoid lone working to reduce opportunity • Internal audit visit to each store at least twice a year • Internal audit team focused on loss prevention and other manipulation for personal gain • Fair, ethical, compliant and competitive incentive schemes and other benefits offered
Reputational risk	An event or circumstance could adversely impact on the Group's reputation, including adverse publicity from the activities of legislators, pressure groups and the media	• Consider regulatory and reputational impact of business changes • Maintain focus on competitive advantage of customer service • Ensure staff are highly motivated • Staff undertake a comprehensive induction course and formal programme of ongoing training • Ensure high level of compliance in product and service delivery • Ensure price or short-term earnings are not the dominant factor in decision making • Risk events are recorded and any customer or reputational impact is assessed and changes to systems and controls are made when necessary • Retained financial PR and media relations consultancy to provide ongoing reputation management support and media engagement • Monitoring the activities of claims management companies in the market • Liaison with Financial Ombudsman Services
Cyber security, denial of service and data loss	We have observed an increase in the frequency, severity and sophistication of cyber-attacks on UK businesses in general and in our own business. H&T is increasingly using online platforms both for transactional processing and customer acquisition Failure to adequately manage cyber threats and to continually review and update processes in response to new threats could result in operational disruption resulting from system downtime, financial loss, data loss, reputational damage and regulatory fines	• Utilise appropriate levels of industry-standard information security solutions for critical systems • Conduct penetration testing to identify vulnerabilities and deliver improvements • Continue to monitor cyber-threats using internal and external resources and where necessary implement changes to combat this • Daily back-up and secure storage of all systems to minimise data loss • Detailed disaster recovery and business continuity plans are in place, these are regularly reviewed and tested

Financial risk management objectives and policies

The Group's activities expose it to several financial risks including interest rate risk, credit risk, liquidity risk, price risk and exchange-rate risk. The use of financial derivatives is governed by the Group's policies approved by the Board, which provides 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. At present the Board does not consider it necessary to enter into a hedging arrangement. This position is reviewed by the Board on a regular basis.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables, the most significant of which are the pledge book, the personal loan book 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 security (customer pledges) which can be easily liquidated in almost all cases fully recovering the amount lent.

The risks attached to the unsecured personal loan book are mitigated by the continual monitoring of bad debts and a possible modification of lending criteria. 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 stated at fair value and net of allowances for doubtful receivables. An impairment allowance is made at the outset of a loan based on expected losses based on forward looking information, previous experience and the anticipated cash flows. Where there is an identified loss on a loan this is taken into consideration and additional impairment applied as appropriate.

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 follows:

	Moody's credit rating	
	2018	**2017**
Barclays Bank plc	A1 (Stable)	A1 (Negative outlook)
Lloyds Bank plc	Aa3	Aa3

The Group had no significant concentration of credit risk at year end other than on bank balances of £55,000 with Barclays Bank plc (2017: £47,000) and £3,046,000 (2017: £1,149,000) with Lloyds Bank plc.

Liquidity risk

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 2018, the Group had £10.0m (2017: £8m) headroom on its current borrowings and remains in full compliance with all loan covenants. The Group facility with Lloyds Bank plc allows for maximum borrowings of £35.0m (2017: £30m).

Furthermore, the Group will review as necessary, 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 retail 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. Should the price of gold drop significantly, the Group can mitigate that risk by changing its lending policy on pawnbroking pledges or by entering into hedging arrangements. 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 largely conducted in the United Kingdom, the Group is impacted by foreign currency exchange rates affecting the gold price exchange from USD to GBP and the revaluation of foreign currency cash holdings in store. The impact of revaluation is monitored daily and hedging is utilised.

Corporate social responsibility

OUR CUSTOMERS

The FCA in its 2016 Occasional paper on Access to Financial Services, highlighted that, while financial exclusion affects a wide range of people at different times of their lives, it mainly impacts people with low or unstable incomes, or who have experienced a significant life shock. Groups particularly at risk of exclusion include, lone parents, single pensioners, migrants, long term sick or disabled people and the long term unemployed.

The FCA estimate that in the UK, more than one million people are "unbanked," almost half of adults do not have enough savings to cover an unexpected bill of £300 and 9.6 million households in the UK have low incomes.

(Source: https://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf).

H&T's commitment to meeting the needs of those excluded from mainstream credit, through the creation of a range of simple, fair and accessible products is at the heart of the way we do business.

Our breadth of services from purchasing, pawnbroking and personal loans, provide customers with a range of simple options to raise cash when needed. We regularly review our products and services to ensure they continue to meet the changing needs of our customers.

Our lending rates have always been one of the lowest in the market and our affordability assessments ensure we lend responsibly. We have made significant progress in developing a range of loan products which provide customers with the opportunity to repair and rebuild their credit history with us as they can move onto cheaper rate products.

We are committed to our local community and strive to offer a world class face to face service, providing customers easy access to well-trained people. Our online offering provides an alternative, giving them greater choice.

OUR PEOPLE

At H&T we recognise that our people are our greatest asset, and accordingly we endeavour to ensure our workforce are highly trained, motivated and rewarded.

Corporate social responsibility (continued)

Training and development

Induction	All new store staff attend a three day induction in one of our purpose-built training centres.
Stair step	New staff work through the five steps of our stair step programme. Steps 1 to 3 focus on skill development in the fundamental areas of the business plus technical areas such as diamonds, watches and electronics. Steps 4 and 5 focus on managerial and behavioural training, these lead into our management development programme. Each level is rewarded with an increased rate of pay.
Workshops	We provide classroom based workshops covering a wide range of technical and management subjects.
E-Learning	The E-Learning platform allows us to support staff development in-store through interactive training and assessment tools. This platform integrates with the point of sale system and is an important component of our regulatory compliance programme.
Management development	The Management Development Programme (MDP) is for aspiring Deputy Store Managers looking for preparation to be Store Manager.
Star development programme	The Stars programme is a more personalised programme using 360 feedback and psychometric testing aimed to develop Store Managers into other positions in the business, for example Area Manager, Internal Auditor or Manager of a flagship store.

Reward and recognition

As well as offering competitive salaries and bonus schemes we offer a generous benefits package, including:

- Life assurance for all of our staff members;
- Interest free loans for travel season tickets;
- Employee assistance programme;
- Enhanced sick and holiday pay;
- Innovation scheme (ideas rewarded by up to £1,000);
- Health insurance for management;
- Free eye tests, eye care vouchers and complimentary flu vaccinations;
- Cycle to work scheme;
- Provision of pension contribution and
- Financial planning workshops.

Throughout the year we operate a number of schemes designed to highlight performance or service ranging from awards for mystery shop results to the highly prized Top Team award, where the store can choose the destination for a trip of a lifetime.

Employee engagement

Your Voice is a council-style meeting with employees from a variety of positions within the Group, and geographically from around the country. These provide a forum to discuss suggestions and ideas with senior management. The meetings are very productive as they allow direct feedback on any issues that arise in our stores or the wider organisation.

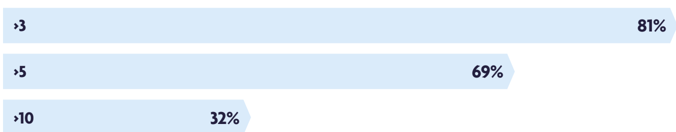
Internal appointments

We strive to develop and retain our staff. An important part of this is to provide opportunities within the Group where possible. We advertise positions weekly to every employee in order to help them to apply for these positions; where appropriate we use the management and star development programmes to help individuals progress. Our most recent Area Manager appointments were promoted from Store Manager roles, and Store Managers have also been promoted to Head Office roles in Marketing, Human Resources and Learning & Development. In addition, this year we promoted a former Area Manager to Operations Director.

We value experience and recognise long service from 5 years on in five yearly increments.

During 2018, 118 employees received a long service award and 70 employees were invited to attend a lunch in London to celebrate services of 10 years or more; including an Assistant who was celebrating an impressive 45 years' service.

Managers' tenure (years of service)



Diversity and inclusion

We appreciate the importance of ensuring that our workforce reflects the diversity of our customers and continue to ensure that we offer career opportunities without discrimination. Every one of our employees, clients and stakeholders brings a set of unique talents and perspectives to the table.

We aim to foster a culture where individuals of all backgrounds feel confident in bringing their whole selves to work, feel included and their talents are nurtured, empowering them to contribute fully to the Group's vision and goals.

The following table shows the gender mix for all staff across the Group at the end of the year:

	Full Time	Part Time	Total
Male	233	52	285
Female	499	345	844
Total	**732**	**397**	**1,129**

	Male	Female
Board of Directors	5 (83%)	1 (17%)

Whilst acknowledging the importance of diversity, appointments to the Board, as with all positions in the Group, are based purely on merit and not according to personal characteristics such as race and gender.

	Male	Female
Senior management *(non-board Directors and department heads)*	8 (67%)	4 (33%)
Regional managers	1 (50%)	1 (50%)
Area managers	9 (56%)	7 (44%)

IN THE COMMUNITY

We encourage community engagement and support a variety of local and national charities through events, fun days and fundraising. We have raised thousands of pounds and collected thousands of gifts for a number of organisations, including:

- Macmillan Cancer Research UK
- Beatson Cancer Charity
- The Children's Trust

OUR RESPONSE TO THE MODERN SLAVERY ACT 2015

The Group is opposed to slavery and human trafficking within its operations and the supply chain we utilise. The Group will not knowingly support or do business with any organisation involved in slavery or human trafficking. To address the risks the Group faces we have completed a review of our suppliers through a mixture of due diligence reviews and supplier questionnaires. Our statement on compliance with the Modern Slavery Act 2015 is published on the Group's website.

STRATEGIC REPORT APPROVAL

This report was approved by the Board of Directors on 11 March 2019 and signed on its behalf by:

John G Nichols
Chief Executive

11 March 2019

Registered and Head Office
H&T Group plc
Times House
Throwley Way
Sutton
Surrey
SM1 4AF

Directors, officers and advisers

John G Nichols
Chief Executive, 68

Appointed: 08/09/2004

Committees: None

Profile: 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 growth in stores, revenues and profitability.

External appointments: Director, The National Pawnbrokers Association

Stephen A Fenerty
Finance Director, 46

Appointed: 28/02/2005

Committees: None

Profile: Stephen trained with KPMG's banking and finance team and since then he has pursued a variety of management roles in the alternative credit sector. Stephen joined H&T in March 2005 as commercial director before taking on the role as finance director in December 2013. Stephen has direct responsibility for finance, IT, unsecured lending, acquisitions, compliance and credit risk. He is a member of the Institute of Chartered Accountants in England and Wales.

External appointments: None

Peter D McNamara
Non-Executive Chairman, 68

Appointed: 25/04/2006

Committees: Audit Committee, Nominations Committee (Chair), Risk Committee, Remuneration Committee

Profile: 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. In 2006 he set up a new ATM business, Notemachine Ltd and is the CEO.

External appointments: Director and shareholder of the Corsair Mint Limited group of companies, Partner of KRF Farms LLP

James F Thornton
Non-Executive Director, 61
Senior Independent Director

Appointed: 30/11/2012

Committees: Audit Committee (Chair), Nominations Committee, Risk Committee, Remuneration Committee

Profile: James has wide ranging experience in UK financial services organisations, most recently as a director at Hannam & Partners, from 2009-2015, and previously as head of finance at BAT Industries, group deputy finance director and UK finance director at Old Mutual plc and head of foreign exchange at IFX plc. James was also finance director at AIM listed Global Health Partner plc. James is a Fellow of the Institute of Chartered Accountants in England and Wales and a Harvard MBA.

External appointments: Director at Dunster 22 Limited

Elaine F Draper
Non-Executive Director, 55

Appointed: 01/05/2018

Committees: Audit Committee, Nominations Committee, Risk Committee (Chair), Remuneration Committee

Profile: Elaine sat on the National Executive Committee of LINK between 2008 and 2011, Bank of England's Strategic Cash Group between 2009 and 2011, and an Advisory Board Member 2016/17 of Centre for Ageing Better – Inequalities in later life review. From 2015 to August 2017, Elaine was a NED of the £35m UK Government funded Credit Union Expansion programme. Until October 2017, Elaine was a senior leader within Barclays and a Member of the Barclay UK Current Account and Insurance Committee.

External appointments: None

Mark J Smith
Non-Executive Director, 60

Appointed: 01/05/2018

Committees: Audit Committee, Nominations Committee, Risk Committee, Remuneration Committee (Chair)

Profile: Mark has significant experience of working in highly regulated businesses having spent the majority of his career working for blue chip banking organisations in senior Executive Management roles (including Chief Executive). More recently he has become an advisor specialising in Retail Banking strategy and operational effectiveness. He runs his own advisory business providing services to other major consulting business and clients, and is a Director of Challenger Bank applicant GKBK Limited.

External appointments: GKBK Ltd and MJS & Associates Ltd

Registered and head office and advisers

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10 Paternoster Square
London
EC4M 7LT

Legal advisers to the Group
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London Bridge
London
EC4R 9HA

Independent Auditor
Deloitte LLP
Statutory Auditor
Crawley
RH10 9AD

Bankers
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Barclays Bank plc
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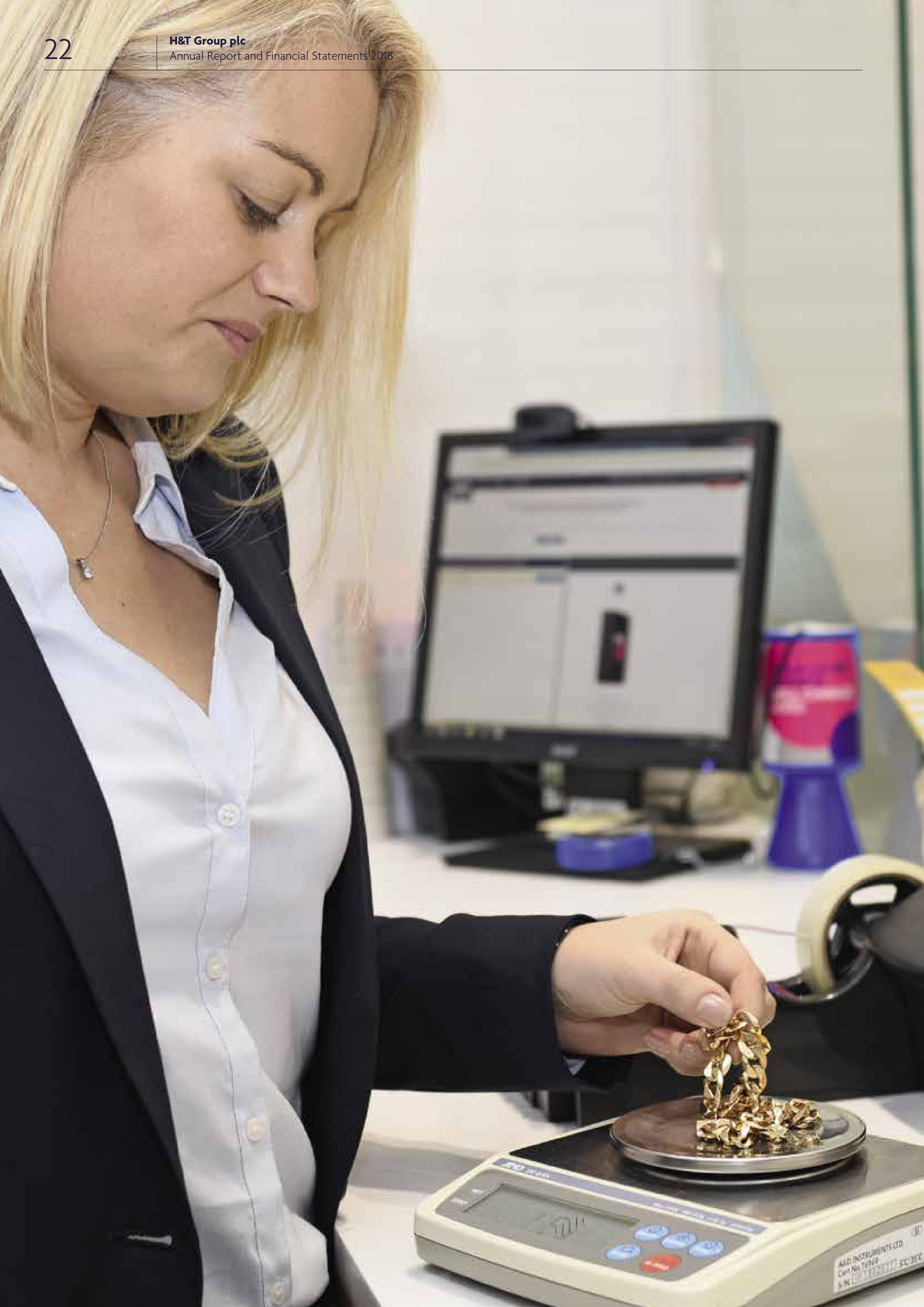
London
E14 5HP

Registrars
Equiniti Group PLC
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Public relations
Haggie Partners LLP
4 Sun Court
66-67 Cornhill
London
EC3V 3NB



Corporate governance

The directors recognise the importance of good corporate governance practice in the best interests of all shareholders. In September 2018 the London Stock Exchange changed AIM rule 26 requiring AIM-listed companies to adopt and apply with a recognised corporate governance code. The Directors assessed the merits of the available codes and decided the Corporate Governance Code of the Quoted Companies Alliance (QCA) was the best fit for the business. This corporate governance report sets out how we have complied with the ten principles of the QCA code. Our website at www.handt.co.uk will provide updates on compliance matters as appropriate.

We describe our compliance with the ten principles of the QCA code at https://handt.co.uk/about/corporate-governance-statement.

PRINCIPLE 1:

Establish a strategy and business model which promote long-term value for shareholders

Our strategy is discussed in Strategic report section on pages 4-28.

The Board is responsible for the delivery of the Group's long-term strategic objectives. Our high-level strategy is that "H&T will be the premier provider of alternative credit in the UK through a range of services that help our customers protect and rebuild their credit rating and return to the mainstream".

We are developing our capabilities to address a changing market and customer needs. We are focussed on maximising the potential from our core services while investing in the development of new products and channels.

Our network of stores supports this development. This real-world presence supported by an effective digital proposition creates an important distinction between H&T and a purely online business.

PRINCIPLE 2:

Seek to understand and meet shareholder needs and expectations

The Group is committed to engaging with its shareholders to ensure its strategy and performance is clearly understood. Feedback from investors is obtained through direct interaction between the CEO and Finance Director at one-to-one shareholder meetings following its full-year and half-year results and certain other ad-hoc meetings between executive management and shareholders that take place throughout the year. The voting record at the Company's general meetings is monitored and we are pleased that all resolutions have been passed by shareholders. There is also regular investor dialogue through the medium of the Group's corporate broker, Numis Securities, and the Group seeks to stay abreast of shareholder expectations and reactions through its regular investor roadshows and update meetings.

The Board recognises the importance of communications with shareholders. The Chief executive's review on pages 8-11. 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. During 2018 the Board consulted with larger shareholders to help establish the 2018/19 Performance Share Plan (PSP).

More information on those responsible for shareholder liaison and contact information can be found at https://handt.co.uk/about/investor-relations.

PRINCIPLE 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success

At H&T we believe that engaging with our stakeholders strengthens our relationships and helps us deliver our strategic goals whilst maintaining our values and delivering returns for all our stakeholders.

The fair treatment of our customers, whose interests are at the centre of all decisions and actions we carry out, is core to our long-term success. We have developed a diverse range of products to meet as best we can the unique needs of each customer. We offer a transparent, efficient and professional service and constantly review our service to identify areas for improvement.

Aside from our responsibilities to shareholders, suppliers and customers, and our regulator, we believe that our employees are our single greatest asset and accordingly we endeavour to ensure our workforce are highly trained, motivated and feel valued.

Your Voice is a regular council-style meeting with employees from a variety of positions within the Group, and geographically from around the country. These provide a forum to discuss suggestions and ideas with senior management. The meetings are very productive as they allow direct feedback on any issues that arise in our stores or the wider organisation.

The Group has an innovations committee which reviews ideas and suggestions for changes to products, policies and procedures from its employees.

We strive to develop and retain our staff recognising that our people are our greatest asset. An important part of this is to provide opportunities within the Group where possible. We advertise positions weekly to every employee in order to help them to apply for these positions; where appropriate we use the management and star development programmes to help individuals progress. We endeavour to ensure our workforce are highly trained, motivated and rewarded. Training is key to delivery of a motivated and skilled workforce which is important in providing great service to our customers successfully across a large product range as well as protecting our customers and investors assets.

The safety of our customers and employees is of paramount importance to the Group. All employees complete annual training, and a programme of annual Health and Safety Risk Assessments is in place.

Health and safety standards and benchmarks have also been established in the business and compliance is monitored by the Board.

Responsible lending

The Group recognises that most people will require financial help at some point in their lives and we believe that everyone should have a choice in how to meet that need. As a responsible lender, we will do our utmost to try to help, whilst at the same time ensuring our customers do not become unduly burdened. It is our priority to carry out a number of stringent checks on all customers prior to loan approval. These checks are centred on understanding our customers financial circumstances, ensuring that our loans are affordable for them and any signs of financial vulnerability are investigated prior to making lending decisions. Our loan approval processes and procedures are subject to regular review and update. We complete root cause analysis in response to any customer complaints and adapt our processes and procedures in response. To drive a consistency in our approach to assessing affordability all of our loans are underwritten centrally by a team of highly trained underwriters, their performance and outcomes for our customers are regularly audited.

Corporate governance (continued)

For Pawnbroking Loans, this includes identity confirmation and valuation of the asset that you are using to secure the loan. For Personal Loans this will include identity confirmation, credit checks, Income confirmation and affordability assessments. More information can be found at https://handt.co.uk/about/responsible-lending.

Modern slavery

The Group is opposed to slavery and human trafficking. The Group will not knowingly support or do business with any organisation involved in slavery or human trafficking. We have established policies to ensure that we are conducting business in an ethical manner and address the risk of slavery and human trafficking in our supply chain. These include; Recruitment Policy, Purchasing Policy and internal Whistle-Blowing Policy. Our full statement can be found at https://handt.co.uk/about/anti-slavery-and-human-trafficking-statement-for-financial-year-2017.

In the community

We encourage community engagement and support a variety of local and national charities through events, fun days and fundraising. We have raised thousands of pounds and collected thousands of gifts for a number of organisations, including:

- Macmillan Cancer Research UK
- Beatson Cancer Charity
- The Children's Trust

For more details of our Corporate and Social Responsibility see https://handt.co.uk/about/investor-relations/corporate-social-responsibility.

PRINCIPLE 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has well established Audit and Risk Committees which have the responsibility of managing the Company's internal control environment and risk framework. See principle 9 for further details.

PRINCIPLE 5:

Maintain the board as a well-functioning, balanced team led by the chair

The Board comprises the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. During the year Mark J Smith and Elaine Draper were appointed as a Non-Executive Directors on 1 May 2018. Elaine Draper took over the Chair of the Risk Committee and Mark J Smith as Chair of the Remuneration Committee. Malcolm Berryman retired from the Board and stepped down as the Chair of the Risk and Remuneration Committees (14 August 2018).

The Board considers, after careful review, that the Non-Executive Directors bring sufficient independent judgement to the Group. The Board has satisfied itself that it has a suitable balance between independent and Executive Directors, to enable it to discharge its duties and responsibilities effectively. All Directors use their independent judgement to challenge all matters, whether strategic or operational. The Chairman holds regular update meetings with each Director to ensure they are performing as they are required. The Board appointed James Thornton as Senior Independent Director on 20 September 2018.

PRINCIPLE 6:

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Directors of the Group and their biographies are set out on page 20. The Board has satisfied itself that between them the Directors have the necessary up-to-date experience, skills and capabilities.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Finance Director. It is the intention of the Board to separate the role of Company secretary from Executive Director.

PRINCIPLE 7:

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board recognises that regular performance evaluation is crucial for effective governance and the long-term success of the Group. Following internal reviews and succession planning discussions the Board added two new Non-Executive Directors in May 2018. These appointments strengthen the Board and support the strategic aims of the Group. The Board members completed a wide-ranging internal survey and follow up meeting to evaluate Board performances across a range of criteria covering strategy development and articulation, meeting the needs and objectives of shareholders, stakeholders and social responsibility, governance processes and accountability, risk management and internal control, and Board skills, capabilities, dynamics and performance.

Together the Board concluded a positive outcome but identified areas for improvement. We will monitor these during the year and going forward will utilise an annual internal or external review process as we determine. We are committed to continuous improvement and take seriously our obligation for developing our Board capabilities and effectiveness.

Attendance at Board and committee meetings:

	Board	Audit	Remuneration	Risk	Nomination
Peter McNamara	9(9)	3(3)	5(5)	3(3)	1(1)
James Thornton	9(9)	3(3)	5(5)	3(3)	1(1)
Malcolm Berryman	5(6)	2(2)	3(3)	2(2)	1(1)
Mark J Smith	6(6)	2(2)	3(3)	2(2)	N/A
Elaine Draper	6(6)	2(2)	3(3)	2(2)	N/A
John Nichols	9(9)	N/A	N/A	N/A	N/A
Stephen Fenerty	8(9)	N/A	N/A	N/A	N/A

PRINCIPLE 8:

Promote a corporate culture that is based on ethical values and behaviours

Our corporate culture and ethical values are key to delivering the Group's objectives and strategic goals. The Board and management team work to ensure this culture is pervasive within the Group and all of our employees share our collective values. Ensuring compliance with our processes, procedures and values is core to the Group's operation; our area managers are in our stores on a weekly basis promoting the culture and values we all stand for, our internal audit team visit our stores at least twice a year and we have a comprehensive schedule of mystery shopping. The Group holds an annual strategy day meeting which involves the whole management team. A further combined board and executive strategy meeting is also conducted. Board meetings are regularly held at our Loan and Jewellery centres allowing Executive and Non-Executive Directors to meet and discuss issues with all levels of staff. NEDs visit stores and departments throughout the year and will attend long-service award dinners. All of these together allow the Board to monitor that our ethical values and behaviours are recognised and respected.

PRINCIPLE 9:

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board

The Board comprises two Executive Directors and four Non-Executive Directors and brings a range of experience and expertise sufficient to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The NEDs hold shares as disclosed on page 30. However, because the number of shares held is small, there is no entitlement to share options for NEDs, and there are no cross Directorships between Executive and Non-Executive Directors; the NEDs are considered to be independent.

Board meetings

The Board is responsible to the shareholders for the proper management of the Group. A Directors' responsibilities statement in respect of the financial statements is set out in this financial statement on page 33.

The Board meets 9 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 standing agenda normally comprises a review of the management financial statements, 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. During the year, the Board hears from departmental managers and asks questions on their progress, issues and prospects.

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.

Remuneration Committee

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

- Peter D McNamara
- James F Thornton
- Elaine F Draper
- Mark J Smith (Chair)

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; and
- agree the policy for authorising claims for expenses from the Chief Executive and from the Chairman of the Board.

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

- James F Thornton (Chair)
- Peter D McNamara
- Elaine F Draper
- Mark J Smith

Corporate governance (continued)

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 inventory balances within stores and the Group's Jewellery Centre. The internal audit team report to the Audit, Security and Compliance executive meetings and the Audit Committee reviews those minutes.

The Committee reviews the operation of internal controls and reports to the Board on the annual review of the internal control and risk management.

Please see audit committee report below for further information on the committee's' role in monitoring the integrity of the Group's financial statements.

Nomination Committee

The Nomination Committee comprises independent Non-Executive Directors of the Company.

The members of the Committee are:

- Peter D McNamara (Chair)
- James F Thornton
- Elaine F Draper
- Mark J Smith

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.

Risk Committee

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

- Peter D McNamara
- James F Thornton
- Elaine F Draper (Chair)
- Mark J Smith

The Risk Committee is responsible for reviewing and reporting to the Board on:

- the Group's risk appetite (the extent and categories of risk which the Board regards as acceptable for the Group to bear);
- the Group's risk management and internal controls framework (its principles, policies, methodologies, systems, processes, procedures and people); and
- in respect of the processes and procedures, the arrangements for the identification, assessment, monitoring management and oversight of risk.

The Risk Committee reviews the regular reports of the Head of Audit & Compliance to oversee the operational management of the compliance framework.

The Risk Committee owns the Group's Risk Appetite Statement which sets out the Group's attitude to risk and the ranges and limits of acceptable risk taking. The Committee establishes the high-level qualitative Risk Appetite Statement for the Group, the quantitative Risk Appetite Statement and the Key Risk Indicators used to measure risk exposure. The statement is subject to annual review by the Risk Committee and the Group Board.

The Risk Committee is responsible for the Risk Framework in place for identification of enterprise level risks (top down approach) and identifying risks that occur in the day to day processes and operations of the business (bottom up approach). The risks identified are recorded in the Corporate Risk Register and reviewed by the Committee on a biannual basis.

The Risk Committee reviews the regular reports of the Head of Audit and Compliance to oversee the operational effectiveness of the risk management framework and the current risk exposure measured through the Key Risk Indicators.

The Committee makes recommendations to the Board in respect of all risks faced by the Company outside of its declared risk appetite.

PRINCIPLE 10:

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Audit Committee Report

The Audit Committee monitors the integrity of the financial statements of the Group and any formal announcements relating to financial performance, reviewing and challenging where necessary the consistency of accounting policies, and the application of critical accounting policies and practices and any changes to them. 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. It is responsible each year for satisfying itself on the independence and objectivity of external auditors and the independence of internal auditors. The Audit Committee meets at least three times a year.

Significant issues and areas of judgement considered by the Audit Committee

The significant issues and areas of judgement considered by the Audit Committee in relation to the Annual Report and Financial Statements 2018 are outlined over the page. We discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the independent auditor's report on pages 34 to 38.

Issue	Judgement	Role of the Committee
Impairment of personal loan receivables Personal loan receivables are impaired based on the number of payments missed based on the original loan agreement with the customer. Impairment is calculated using historical payment performance to estimate the value and timing of future payments for each level of customer arrears.	The key judgements in respect of the impairment calculation are: • The point at which to impair a loan account; and • Whether historical performance provides a suitable method to project future cash flows. This is a key audit matter for our external auditors and is detailed in their Independent Auditor's Report.	Reviews analysis and recommendations produced by the executive team in respect of the required impairment. Reviews the methodology used and the performance of the models versus the actual result of prior periods. Consideration of the potential impact on future performance of factors such as: • Rapid growth of the product • A range of external economic factors including consumer indebtedness • Changing business mix for product type and channel Reviewed the analysis in respect of the implementation of IFRS 9 for 2018.
Recognition of revenue and the associated revenue accrual in respect of pawnbroking Interest income is recognised when it has been paid, or is expected to be paid by the customer. The interest accrual is calculated by using estimates for the expected redemption profile of pawnbroking loans based on a range of historical performance data.	The key judgement in respect of the interest accrual is the determination of the correct redemption profile to use in the model. This is a key audit matter for our external auditors Deloitte and is detailed in their Independent Audit Report.	Reviews the application of the agreed methodology and supporting calculations. Considers the impact and validity of any changes to the basis of the redemption predictions. Considers the impact of changing redemption trends and outcomes over time and how to implement them in the model.
Impairment of goodwill The Group historically acquired a number of businesses and must consider whether goodwill requires impairment. The impairment is based on the future cash flows generated by each individual cash generating unit (CGU). Expected cash flows are based on the Group operating budget for the next year and assumptions for growth or decline in revenues and costs in future years.	The key judgement is in respect of the forecast cash flows for the CGUs.	Reviews the application of the agreed methodology and supporting calculations. Considers factors that may impact the future performance of the CGUs and whether that should be reflected in the forecast. Considers the sensitivity of the projections and the amount of headroom available before impairment is required.
Provisions relating to store lease commitments The Group operates the store estate on a leasehold basis. Provisions are required in respect of the costs of reinstatement of the premises at the end of the lease and potentially future lease costs in the case of underperforming stores.	The key judgement in respect of reinstatement is its cost and timing. The key judgement for the onerous lease provision is the determination of future cash flows from the store.	Reviews the application of the agreed methodology and supporting calculations. Considers factors that may impact the future performance of the stores and whether that should be reflected in the forecast. Considers the sensitivity of the projections to changes in the inputs.

Corporate governance (continued)

Issue	Judgement	Role of the Committee
Provisions relating to inventories and pawnbroking loans The Group has significant pledge and inventory balances whose value is supported by precious metals and tradeable assets. The Group considers the need to recognise a provision in respect of these balances if the net realisable value (NRV) falls below cost.	The key judgement in respect of the inventory provision is the calculation of NRV. NRV is based on the precious metal value where available or an estimate of the achievable sales price based on the age of the piece. The key judgements in respect of the pledge provision are: the NRV; the likelihood of the item not being redeemed and whether the item is likely to be retailed or scrapped. In both the inventory and pledge provision consideration is also given to specific provisions and to the estimated losses since the last physical audit in store.	Reviews the application of the agreed methodology and supporting calculations. Considers the overall adequacy of the provisions based on historical performance and changes in asset balances. Considers changes in the business or external environment which may impact on the recoverability, particularly gold price and redemption trends.

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 operates a three lines of defence model, the first line being the systems and controls in place to prevent and detect errors, the second provided by compliance monitoring and oversight and the third by internal audit.

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 store audit function exists to ensure that Group procedures regarding cash, pledges and stock-handling are being adhered to. On average the internal audit visits to stores are performed biannually.
- Corporate audits: the Internal Audit Department has a defined audit universe and conducts risk based audits in line with the annual plan to address all other risks not covered within store audits, the universe and plan is approved by the Audit Committee.

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

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.

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 and Chief executive's review on pages 2 to 19.

Dividends

The Directors propose a final dividend of 6.6p (2017: 6.2p) per share subject to approval at the Annual General Meeting on 2 May 2019. This proposed dividend, in accordance with IAS 10 'Events after the balance sheet date', has not been provided for in the attached financial statements, further information has been provided in note 33.

During the year, the Company paid the final dividend for the year ended 31 December 2017 of 6.2p per share (2016: 5.3p per share) and an interim dividend for the year ended 31 December 2018 of 4.4p per share (2017: 4.3p per share).

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. During the period 220,751 ordinary shares (2017: 394,273) of £0.05 each were issued, called-up and fully paid as part of the Group's share option and long-term incentive plans.

The nominal issued share capital as at 31 December 2018 was £1,882,925 (31 December 2017: £1,871,888).

As at 27 February 2019, 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	14.71%
Fidelity International	9.79%
Close Brothers Asset Management	9.77%
Fidelity Management & Research	8.66%
Camelot Capital Partners	7.08%
BlackRock	5.66%
Janus Henderson Investors	4.23%
Directors	3.65%
Octopus Investments	3.30%
Hargreaves Lansdown, stockbrokers (EO)	2.85%

Details of employee share schemes are set out in note 28. Under these share schemes, there are currently potentially an additional 838,990 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 3,704,349 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 were no other dilutive equity instruments in the Company in issue at 31 December 2018 or 31 December 2017.

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

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

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

Directors and their interests

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

Executive

J G Nichols

S A Fenerty

Non-Executive

P D McNamara

M L Berryman (resigned 31 August 2018)

J F Thornton

E F Draper (appointed 1 May 2018)

M J Smith (appointed 1 May 2018)

Directors' report (continued)

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

Director	Type of share	At 1 January 2018	At 31 December 2018
J G Nichols	Ordinary 5p shares	1,079,530	1,104,530
S A Fenerty	Ordinary 5p shares	305,933	305,933
P D McNamara	Ordinary 5p shares	17,351	17,351
M J Smith	Ordinary 5p shares	nil	1,000
E F Draper	Ordinary 5p shares	nil	1,000
J F Thornton	Ordinary 5p shares	5,000	5,000

At 31 December 2018, the market price of H&T Group plc's shares was 264.5p and the range during the year ended 31 December 2018 was 241.5p to 370p.

At 31 December 2017, the market price of H&T Group plc's shares was 335p and the range during the year ended 31 December 2017 was 260p to 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:

- M J Smith
- E F Draper
- 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:

	2018 £	2017 £
Emoluments	**705,095**	1,241,444
Gain on exercise of share options	**89,018**	215,281
Money purchase pension contributions	**44,603**	43,728
	838,716	1,500,453

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.	Forfeited during year No.	At end of year No.	Exercise price pence	Market Price on date exercised pence	Date from which exercisable	Expiry date
J G Nichols									
– 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
	181,314	—	—	—	181,314				
S A Fenerty									
– 2008 Scheme	59,544	—	59,544	—	—	175.5p	325.0p	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
	176,388	—	59,544	—	116,844				

Directors' emoluments and compensation

Name of Director	Fees/ Basic salary £	Benefits in kind £	Annual bonuses £	2018 Total £	2017 Total £
Executive					
J G Nichols	256,467	13,328	35,000	**304,795**	647,749
S A Fenerty	189,560	10,079	3,791	**203,430**	437,392
Non-Executive					
P D McNamara	74,279	—	—	**74,279**	72,701
M L Berryman	29,296	—	—	**29,296**	43,082
J F Thornton	41,575	—	—	**41,575**	40,520
E F Draper	25,860	—	—	**25,860**	—
M J Smith	25,860	—	—	**25,860**	—
Aggregate emoluments	642,897	23,407	38,791	**705,095**	1,241,444

Directors' bonus schemes

The Remuneration Committee considers 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.

In 2018 the Board established a long-term incentive plan based on the performance of the business over the period 2018 – 2020 and provided for a payment in shares at the end of the period of no more than 100% of the annual base salary of the Director.

Directors' pension entitlements

Two Directors (2017: 2) were members of money purchase schemes during the year. Contributions paid by the Group in respect of such Directors were as follows:

	2018 £	2017 £
J G Nichols	**25,647**	25,144
S A Fenerty	**18,956**	18,585
	44,603	43,729

Personnel

Details of the number of employees and related costs can be found in note 9 to the consolidated financial statements. 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.

Harvey & Thompson Limited is committed to providing a safe working environment for all employees through a combination of procedural and physical security measures. These measures are kept under review and updated as appropriate.

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, together with key members of the management team, also qualify for the Performance Share Plan (PSP). Further details on share option plans are provided in note 28.

Directors' report (continued)

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.

Health and safety

The safety of our customers and employees is of paramount importance to the Group. All employees complete annual training, and a programme of annual Health and Safety Risk Assessments is in place.

Health and safety standards and benchmarks have also been established in the business and compliance is monitored by the Board.

Political contributions

No political contributions were made during the year (2017: £nil).

Going concern

The Group delivered profit after tax of £10.8m for the year ended 31 December 2018 (2017: £9.5m). The Group also increased its net assets to £107.0m (2017: £99.7m).

The Board has approved a detailed budget for 2019, which indicates surplus cash generated from operations for the year after accounting for the Group's forecast levels of capital expenditure. The existing facility with Lloyds Bank plc allowing for maximum borrowings of £35.0m, subject to covenants, expires in April 2020. At the year end, £25.0m was drawn on the facility. 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 2019 and into Q1 2020. The Group met all covenants in 2018 and there is no evidence to suggest that they will not be met in 2019 or Q1 2020.

In considering the going concern basis of preparation longer term forecasts are also reviewed by the Board, with the 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 have 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, including reasonably possible outcomes of Brexit, 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 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. 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 2019 and Q1 2020 forecasts, the Directors have formed the view that the Group has adequate resources to continue as a going concern for the next 12 months 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 Strategic Report.

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

Deloitte LLP has expressed its 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 Group'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 Group'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 and signed on its behalf by:

J G Nichols
Chief Executive

11 March 2019

Registered and Head Office
H&T Group plc
Times House, Throwley Way,
Sutton, Surrey SM1 4AF

Directors' responsibilities statement

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 and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company 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 the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 11 March 2019 and is signed on its behalf by:

J G Nichols
Chief Executive

11 March 2019

Independent Auditor's Report to the members of H&T Group plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- **the financial statements of H&T Group plc (the 'Parent Company') and its subsidiary (together the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the Group statement of comprehensive income;
- the Group and Parent Company balance sheets;
- the Group and Parent Company statements of changes in equity;
- the Group cash flow statement; and
- the related notes 1 to 34 and A to F.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of the pledge interest accrual. • Valuation of the personal loan impairment. The key audit matter "revenue recognition: accuracy of pledge interest revenue and the associated accrual at the balance sheet date" has been refined in the current audit period, to focus on the pledge interest accrual, reflecting the change in its accounting treatment under IFRS 9 *Financial instruments*.
Materiality	The materiality that we used for the Group financial statements was £812,000 which is 6% of the Group's profit before tax figure of £13,534,000.
Scoping	We have performed a full audit scope on both H&T Group plc and its subsidiary Harvey & Thompson Limited.
Significant changes in our approach	There are no significant changes in our approach in the current year.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the pledge interest accrual

Key audit matter description

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 pawn loans interest accrual ('pledge accrual') is dependent on the estimate that the Group makes of the expected level of redeemed pawn loans. Management apply a best estimate of the redemption rate based on historical analysis, in order to determine the net accrued interest at year end. There is a risk that the pledge accrual is misstated due to the use of an inappropriate redemption rate estimate. The gross pledge accrued interest balance as at 31 December 2018 is £13m (2017: £12m).

Management use historical data to build up a profile of forecast redemptions. In recent years, through evolution in customer redemption patterns, the historical redemption profile has changed over time. The redemption rate is a key assumption in driving pledge balance and is a key management judgement; hence we consider this to be a key audit matter for the audit.

The expected redemption on annual lending for 31 December 2018 was 82.8% (actual redemption of 2017 loans: 83.4%).

Further information regarding the pledge accruals is found within the Audit Committee Report on page 26; and in the critical accounting judgements and key sources of estimation uncertainty at note 4 to the financial statements.

How the scope of our audit responded to the key audit matter

We evaluated the design and implementation of controls over the preparation and review of the redemption rate estimate used by management in their calculation. We have assessed whether management's application of the redemption rate estimate remains consistent with the prior year, and tested whether the judgement regarding future redemption rates is reasonable by:

- Using IT specialists within the audit team to re-perform the compilation of historical data into the historical redemption profile;
- Testing the accuracy and completeness of the underlying redemption data;
- Analysing historical and forward-looking trends in the rate to asses the appropriateness of the redemption rates, taking into consideration shifts in the historical profile;
- Assessing the pledge accrual for compliance with the requirements of IFRS 9 *Financial instruments*; and
- Assessing management's historical forecasting accuracy by performing a restrospective review of the prior year redemptions.

Key observations

From the work performed above, we concluded that management's estimate of the redemption rate was appropriate and that the interest recognition policies were appropriately applied.

Independent Auditor’s Report to the members of H&T Group plc (continued)

Valuation of the personal loan impairment

Key audit matter description

IFRS 9 *Financial instruments* requires management to record impairment (expected credit losses) based on unbiased forward-looking information. The measurement of expected credit loss involves increased complexity and significant management judgement regarding the estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. At 31 December 2018 the gross loan book totalled £65m (2017: £45m) and the provision totalled £41m (2017: £29m).

As part of management calculation there is significant judgment involved on the probability of default calculation due to the sensitivity of the model to this input. Hence, we consider this to be a key audit matter for the audit.

Further information regarding the loan provision is found within the Audit Committee Report on page 26 and 27; the critical accounting judgements and key sources of estimation uncertainty at note 4 to the financial statements.

How the scope of our audit responded to the key audit matter

We evaluated the design and implementation of controls over the calculation and review of the personal loan provisioning.

We have challenged management on their provisioning policy to assess whether their judgements regarding probability of default rates are reasonable by:

- Testing the accuracy and completeness of personal loan data used to calculate the provision;
- Assessing the impact of macro-economic factors (including the impact of Brexit), expected or potential payment defaults and expected delays in payments;
- Performing testing over loans which are classified not had a significant increase credit risk from their initial recognition which form part of the provision, on a sample basis, in order to identify whether and loans represent an increase in significant credit risk which is not been identified by management;
- Analysing historical and forward-looking trends in the default rate to assess for any indication of ongoing increases in default;
- Performing a retrospective review of the prior year provision and subsequent write-offs; and
- Assessing whether the personal loan provision calculation is consistent with the requirements of IFRS 9.

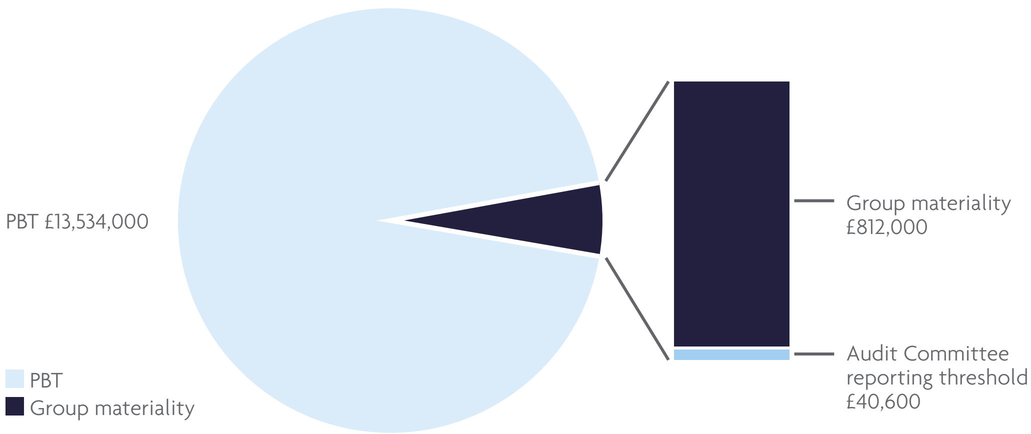
Key observations

From the work performed above, we concluded that the inputs and assumptions applied in management’s loan provision calculation were reasonable and that the overall estimate was appropriate.

Our application of materiality

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£812,000 (2017: £758,000)	£803,000 (2017: £750,000)
Basis for determining materiality	6% (2017: 5.4%) of profit before tax	We have used 3% (2017: 3%) of net assets as the basis of materiality but have further capped this at 99% (2017: 99%) of Group materiality.
Rationale for the benchmark applied	In determining our materiality benchmark, we considered the performance indicators most applicable to the users of the financial statements, the nature of the business and comparative audit reports for listed entities. Profit before tax is a key measure used by analysis in presenting business performance to users of the financial statements.	The Parent Company acts principally as a holding company and therefore net assets is a key measure.



We agreed with the Audit Committee of H&T Group plc that we would report to the Committee all audit differences in excess of £40,600 (2017: £38,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

An overview of the scope of our audit

The Group comprises H&T Group plc and its subsidiary, Harvey & Thompson Limited. Both entities were subject to a full scope audit with all worked performed by the Group engagement team. Our audit work was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. At the Group level, we also tested the consolidation process.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of H&T Group plc (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Use of our report

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.

William Farren FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Crawley, United Kingdom
11 March 2019

Group statement of comprehensive income

For the year ended 31 December 2018

	Note	**2018 £'000**	2017 (Restated*) £'000
Continuing operations			
Revenue	5,6	**143,025**	124,697
Cost of sales		**(54,781)**	(46,567)
Gross profit	6	**88,244**	78,130
Other direct expenses		**(60,674)**	(53,440)
Administrative expenses		**(13,272)**	(12,234)
Operating profit		**14,298**	12,456
Investment revenues	5,10	**3**	—
Finance costs	11	**(767)**	(567)
Profit before taxation	7	**13,534**	11,889
Tax charge on profit	12	**(2,705)**	(2,396)
Profit for the financial year and total comprehensive income		**10,829**	9,493

		2018 Pence	2017 Pence
Earnings per share from continuing operations			
Basic	13	**29.35**	26.02
Diluted	13	**29.25**	25.91

All profit for the year is attributable to equity shareholders.

*Certain comparative information has been restated as a result of the initial application of IFRS 9 as set out in note 34.

Group statement of changes in equity

For the year ended 31 December 2018

	Note	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2017		1,852	25,754	(35)	71,276	98,847
IFRS 9 Restatement	34				(6,078)	(6,078)
Profit for the year*		—	—	—	9,493	9,493
Total comprehensive income		—	—	—	9,493	9,493
Share capital	27	20	887	—	—	907
Share option movement	24, 28	—	—	—	96	96
Dividends paid	14	—	—	—	(3,564)	(3,564)
At 31 December 2017		1,872	26,641	(35)	71,223	99,701
At 1 January 2018		**1,872**	**26,641**	**(35)**	**71,223**	**99,701**
Profit for the year		**—**	**—**	**—**	**10,829**	**10,829**
Total comprehensive income		**—**	**—**	**—**	**10,829**	**10,829**
Issue of share capital	27	**11**	**511**	**—**	**—**	**522**
Share option movement	24, 28	**—**	**—**	**—**	**(72)**	**(72)**
Dividends	14	**—**	**—**	**—**	**(3,986)**	**(3,986)**
At 31 December 2018		**1,883**	**27,152**	**(35)**	**77,994**	**106,994**

*Certain comparative information has been restated as a result of the initial application of IFRS 9 as set out in note 34.

Group balance sheet

As at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 (Restated*) £'000
Non-current assets			
Goodwill	15	**17,643**	17,643
Other intangible assets	16	**343**	331
Property, plant and equipment	17	**6,032**	6,381
Deferred tax assets	24	**1,075**	1,313
		25,093	25,668
Current assets			
Inventories	19	**29,262**	34,102
Trade and other receivables	20	**74,670**	64,478
Other current assets	20	**877**	665
Cash and bank balances	21	**11,414**	8,676
		116,223	107,921
Total assets		**141,316**	133,589
Current liabilities			
Trade and other payables	22	**(7,384)**	(9,731)
Current tax liabilities	22	**(797)**	(1,034)
		(8,181)	(10,765)
Net current assets		**108,042**	97,156
Non-current liabilities			
Borrowings	23	**(24,888)**	(21,810)
Long term provisions	25	**(1,253)**	(1,313)
		(26,141)	(23,123)
Total liabilities		**(34,322)**	(33,888)
Net assets		**106,994**	99,701
Equity			
Share capital	27	**1,883**	1,872
Share premium account		**27,152**	26,641
Employee Benefit Trust shares reserve		**(35)**	(35)
Retained earnings		**77,994**	71,223
Total equity attributable to equity holders		**106,994**	99,701

*Certain comparative information has been restated as a result of the initial application of IFRS 9 as set out in note 34.

The financial statements of H&T Group plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 11 March 2019.

They were signed on its behalf by:

J G Nichols
Chief Executive

Group cash flow statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000 (Restated*)
Net cash generated/(used in) from operating activities	30	**5,906**	(3,493)
Investing activities			
Interest received		**3**	—
Proceeds on disposal of property, plant and equipment		**—**	7
Purchases of property, plant and equipment		**(2,101)**	(1,768)
Acquisition of trade and assets of businesses		**(575)**	(21)
Net cash used in investing activities		**(2,673)**	(1,782)
Financing activities			
Dividends paid	14	**(3,986)**	(3,564)
Increase in borrowings		**3,000**	7,000
Debt restructuring costs		**(31)**	—
Proceeds on issue of shares		**522**	907
Net cash (used in)/generated from financing activities		**(495)**	4,343
Net increase/(decrease) in cash and cash equivalents		**2,738**	(932)
Cash and cash equivalents at beginning of the year		**8,676**	9,608
Cash and cash equivalents at end of the year		**11,414**	8,676

*Certain comparative information has been restated as a result of the initial application of IFRS 9 as set out in note 34.

Notes to the consolidated financial statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

H&T Group plc is a company incorporated in England & Wales under the Companies Act.

The Company is a public company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 21.

The principal activities of the Company and its subsidiaries (the "Group") and the nature of the Group's operations 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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following accounting standards that are mandatorily effective for accounting periods beginning on or after 1 January 2018. Of these, only IFRS 9 has had a material impact on the amounts reported in these financial statements. The impact has been disclosed in these financial statements in note 34 and in the IFRS 9 Transition Document published by the Group on 27 July 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Clarifications to IFRS 15 (Apr 2016)	Clarifications to IFRS 15 Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2 (Jun 2016)	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4 (Sept 2016)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40 (Dec 2016)	Transfers of Investment Property
Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016)	Annual Improvements to IFRSs: 2014-16 Cycle – IFRS 1 and IAS 28 Amendments

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9 (Oct 2017)	Prepayment Features with Negative Compensation
Amendments to IAS 28 (Oct 2017)	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015-2017 Cycle (Dec 2017)	Annual Improvements to IFRSs: 2015-17 Cycle
Amendments to IAS 19 (Feb 2018)	Plan Amendment, Curtailment or Settlement
Amendments to References to the Conceptual Framework in IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 (Oct 2018)	Definition of Business
Amendments to IAS 1 and IAS 8 (Oct 2018)	Definition of Material
IFRS 17	Insurance Contracts
Amendments to IFRS 10 and IAS 28 (Sept 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 periods. Changes in accounting policies for standards implemented in the year are detailed below:

IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual periods beginning on and after 1 January 2018. IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued income' and 'deferred income', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has retained the use of 'accrued revenue' and 'deferred revenue' in the financial statements.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had an impact on the financial position and/or financial performance of the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial instruments

The Group has applied IFRS 9 Financial Instruments. The Group has restated 2017 comparatives in respect of the classification and measurement of financial instruments. In addition, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

Classification and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset.

There is no impact on the classification and measurement of the personal loans or pawnbroking trade receivables, both are measured at amortised cost.

There is no change in the accounting for any financial liabilities.

Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date. Under IFRS 9 there is an increase in both revenue and impairment for Pawnbroking and Personal Loans.

In respect of the personal loan receivable the Group recognises a loss allowance for 12-month expected credit losses where the loan is not in arrears. As the loan falls into arrears the loss allowance is based on the lifetime expected credit losses as there has been a significant increase in credit risk. IFRS 9 also requires the external environment to be considered as part of the calculation of expected credit losses (ECL) the form of a macro-economic overlay. Due to the nature of the alternative credit sector and historical evidence, management have determined that the effect of traditional macro-economic downside indicators is minimal and therefore such an overlay is currently not necessary. Management will continue to monitor external macro-economic trends and their impact and apply an overlay should it become appropriate to do so.

In respect of the pawnbroking loan receivable the short-term nature of the agreement results in 12-month expected credit losses being the same as lifetime expected credit losses.

Further information on the restatement of the comparatives is provided in note 34.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group expects to adopt IFRS 16 for the year ending 31 December 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of £23,978,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 29. Our assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. Preliminary calculations indicate that the impact on the balance sheet will be a net reduction in retained earnings of £1.7m as at 31 December 2018, with the right-of-use asset capitalised at net book value of £19.8m offset by lease liability of £22.6m. The impact on the Group's Statement of Comprehensive Income for 2018 is likely to be favourable by £0.3m.

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 that are measured at re-valued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group 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.

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.

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 financial statements 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.

Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill arising on acquisitions before the date of transition to IFRS (1 January 2006) has been retained at the previous UK GAAP amounts subject to being tested for impairment annually as described above.

On the disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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, being customer relationships, 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).

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes and estimates being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between net disposal proceeds and the carrying amount of the asset, are recognised in the Group statement of comprehensive Income when the asset is derecognised.

Property, plant and equipment

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

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Leasehold premises	
Leasehold improvements	Shorter of 7 years or life of lease
Computer equipment	
Computer hardware	3 to 5 years
Fixtures and fittings	10 years
Motor vehicles	4 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (stores) 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 (CGU) 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 CGU, which for acquisitions represents the specific store or stores acquired.

There was no impairment loss recorded in the current year (2017: £nil). The principal assumptions applied by management in arriving at the value in use of each CGU are as follows:

The Group prepares cash flow forecasts over a five-year period for each CGU. Forecast EBITDA (used as a proxy for cashflows) has been derived by applying the Board approved base budget assumption to each individual stores' results for the twelve months to September 2018. For impairment review purposes, we have used conservative growth assumptions after 2018, even in this scenario there is still significant headroom on each CGU. A perpetuity formula has been applied to the cashflows i.e. we have made the assumption that periodic cashflows will be received indefinitely. The Group has discounted the cash flows at a pre-tax, risk adjusted rate of 11% (2017: 12%).

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, but are comfortable that no impairment exists at the balance sheet date based on reasonably possible sensitivities.

Inventories

Inventories are stated at the lower of cost and net realisable value. For inventory 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 inventory 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 inventory or inventory shrinkage.

The provision for obsolete, slow moving and damaged inventory represents the difference between the cost of the inventory and its market value. The inventory shrinkage provision is based on an estimate of the inventory missing at the reporting date using historical shrinkage experience.

Financial assets

All financial assets are recognised and derecognised on a trade date basis.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

In accordance with IFRS 9 *Financial Instruments* the Group has classified its financial assets as 'amortised cost', no financial assets have been classified as FVTOCI or FVTPL at the reporting date for 2018 and 2017.

Amortised cost and effective interest method:

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (note 26).

Financial assets at fair value through profit or loss

Only the Group's derivative financial instruments, of which there are none outstanding at the year end, are recorded as financial assets at fair value through profit or loss (FVTPL). Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in financial assets that are measured at amortised cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk:

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. See note 26 for more details.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default:

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

(iii) Credit-impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Write-off policy:

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Financial liabilities at FVTPL

Only the Group's derivative financial instruments, of which there are none outstanding at the year end, are recorded as financial liabilities at FVTPL, with any gains or losses arising on changes in fair value recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 Group 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the Group 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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

VAT
The Group is partially exempt for VAT and operates a number of VAT schemes including the Margin Scheme and the Gold Scheme. The Group takes advantage of the simpler approach offered by global accounting under the Margin Scheme. Within the financial statements sales are disclosed net of VAT payable, other direct expenses and administrative expenses include the cost of irrecoverable input VAT.

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.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

The Group currently has no finance leases.

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

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 both rectification costs and repairs and maintenance obligations. Rectification costs are provided for on signing the lease and repairs are provided as Management becomes aware of any significant amounts that will be required.

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

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

Employee Benefit Trust Shares
Under the terms of the Group Long Term Incentive Plan ('LTIP') for the Directors, the parent Company issued certain shares to an Employee Benefit Trust, 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 its 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
The Group recognises revenue from the following major sources:

- Pawnbroking, or Pawn Service Charge (PSC);
- Retail;
- Pawnbroking scrap and gold purchasing;
- Personal loans interest income;
- Other services.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pawnbroking, or Pawn Service Charge (PSC)

PSC comprises interest on pledge book loans, plus auction profit and loss, less any auction commissions payable and less surplus payable to the customer. Revenue is recognised over time in relation to the interest accrued by reference to the principal outstanding and the effective interest rate applicable as governed by IFRS 9.

Retail

Retail comprises revenue from retail jewellery sales, with inventory sourced from unredeemed pawn loans, newly purchased inventory and inventory refurbished from the Group's gold purchasing operation. For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales.

The Group uses its accumulated historical experience to estimate the number of returns. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent and immaterial level of returns over previous years.

Pawnbroking scrap and gold purchasing

Scrap revenue comprises proceeds from gold scrap sales. Revenue is recognised when control of the goods has transferred, being at the point the smelter purchases the relevant metals.

Personal loans interest income

This comprises income from the Group's unsecured lending activities. Personal loan revenues are shown stated before impairment when in the expected credit loss model and net of impairment when there are indications that the personal loan asset is credit-impaired. The impairment charge is included within other direct expenses in the Group statement of comprehensive income. Revenue is recognised over time in relation to the interest accrued, as dictated by IFRS 9.

Other services

Other services comprise revenues from third party cheque cashing, foreign exchange income, buyback and other income. Commission receivable on cheque cashing, foreign exchange income and other income is recognised at the time of the transaction as this is when control of the goods has transferred. Buyback revenue is recognised at the point of sale of the item back to the customer, when control of the goods has transferred.

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.

Gross profit

Gross profit is stated after charging inventory, pledge and other services provisions and direct costs of inventory items sold or scrapped in the year, before loan and pawnbroking impairments.

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 and finance costs.

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:

	2018 £'000	2017 (Restated) £'000
Operating profit	**14,298**	12,456
Depreciation and amortisation	**2,482**	2,628
EBITDA	**16,780**	15,084

The Board consider EBITDA to be a key performance measure as the Group borrowing facility includes a number of loan covenants based on EBITDA.

Retirement benefit costs
The Group operates a defined contribution pension scheme which is contracted into the State Scheme. The amount charged to the Group 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. The total defined contribution expenses are recognised in profit and loss for 2018 is £479,000 (2017: £351,000).

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. 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 Group measures loss allowances for personal loan trade receivables using the IFRS 9 expected credit loss model. On initial recognition of the personal loans, the Group recognises 12 month expected credit losses. If the credit risk on a financial instrument has increased significantly since its initial recognition, the Group recognises lifetime expected credit losses. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

For pawnbroking impairment, the Group defines a significant increase in credit risk where redemption has not taken place one month after initial recognition, unless there are specific circumstances indicating otherwise. The Group deems those pawnbroking assets not redeemed within nine months of inception to be credit-impaired, unless there are specific circumstances indicating otherwise. This judgement is based on historical analysis, indicating that redemption rates significantly reduce after these periods.

For personal loans impairment, the Group defines a significant increase in credit risk where one-to-two payments have been missed after initial recognition to have significantly increased, unless there are specific circumstances indicating otherwise. The Group deems those personal loans that have missed three scheduled payments of inception to be credit-impaired, unless there are specific circumstances indicating otherwise. This judgement is based on historical data, indicating that repayment rates fall significantly after this number of missed payments.

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 impairment
The Group recognises interest on pawnbroking loans as disclosed in the changes in the Group's accounting policies section set out in note 3. Impairment of pawn interest is determined in accordance with the IFRS 9 expected credit loss model. As at 31 December 2018, the pawnbroking loss allowance is £10,366,000 (2017: £9,167,000).

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when pledges have not been redeemed within one month of lending, unless the Group has reasonable and supportable information that demonstrates otherwise.

In calculating lifetime expected losses on pledge balances, the probability of default is dependent 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 data assumptions and expectations of future market conditions.

There is a risk that the actual redemption rate may vary significantly from the historical rate used to estimate the pledge interest accrual at the balance sheet date.

The Directors assess the pledge redemption 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 2018 or 2017. The sensitivity of the pledge accrual to reasonable changes in the redemption rate is set out in note 26.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Personal loan impairment

When measuring expected credit losses, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss that will arise on defaulted loans. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time period, the calculation of which includes historical data, assumptions and expectations of future conditions.

A provision for impairment on personal loans is recognised based on the IFRS 9 expected credit loss model. As at 31 December 2018, the personal loan impairment provision was £15,515,000 (2017: £11,679,000).

For further details on expected credit losses including sensitivity analysis, 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 expected credit losses.

5. REVENUE

	2018 £'000	2017 (Restated) £'000
An analysis of the Group's revenue is as follows:		
Sales of goods		
Gold purchasing, retail, pawnbroking scrap	**73,142**	64,754
Interest/commission earned		
Pawnbroking, cheque cashing and other financial services	**69,883**	59,943
Revenue	**143,025**	124,697
Investment revenues	**3**	—
Total Group revenue	**143,028**	124,697

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

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

	2018 £'000	2017 (Restated) £'000
Income		
Interest earned on financial assets not designated at fair value	**53,023**	44,289
Fees earned on financial assets not designated at fair value	**6,064**	5,219

6. OPERATING SEGMENTS

For reporting purposes, the Group is currently organised into six segments – pawnbroking, gold purchasing, retail, pawnbroking scrap, personal loans and other 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 1.99% and 10.00%. 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.

Purchasing:

Jewellery is bought direct from customers through all of the Group's stores. The transaction is simple with the store 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.

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.

Personal loans:
Personal loans comprises income from the Group unsecured lending activities. Personal loan revenues are stated at amortised cost after taking into consideration an assessment on a forward-looking basis of expected credit losses.

Other services:
This segment comprises:

- 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.
- Buyback which is a service where items are purchased from customers, typically high-end electronics, and may be bought back up to 31 days later for a fee.
- The foreign exchange currency service where the Group earns a margin when selling or buying foreign currencies.
- Western Union commission earned on the Group's money transfer service.

Cheque cashing is subject to bad debt risk which is reflected in the commissions and fees applied.

Further details on each activity are included in the chief executive's review on pages 8 to 11.

Segment information about these businesses is presented below:

2018 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans £'000	Other services £'000	Total £'000
External revenue	41,278	20,745	38,338	14,059	22,472	6,133	143,025
Total revenue	41,278	20,745	38,338	14,059	22,472	6,133	143,025
Gross profit	41,278	3,757	13,203	1,401	22,472	6,133	88,244
Impairment	(10,366)	—	—	—	(15,515)	—	(25,881)
Segment result	30,912	3,757	13,203	1,401	6,957	6,133	62,363
Other direct expenses excluding impairment							(34,793)
Administrative expenses							(13,272)
Operating profit							14,298
Interest receivable							3
Finance costs							(767)
Profit before taxation							13,534
Tax charge on profit							(2,705)
Profit for the financial year and total comprehensive income							10,829

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

6. OPERATING SEGMENTS (CONTINUED)

2017 (Restated*) Revenue	Pawnbroking (Restated) £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans (Restated) £'000	Other services £'000	Total £'000
External revenue	38,466	17,651	35,407	11,696	15,574	5,903	124,697
Total revenue	38,466	17,651	35,407	11,696	15,574	5,903	124,697
Gross profit	38,466	3,397	12,859	1,931	15,574	5,903	78,130
Impairment	(9,167)	—	—	—	(11,679)	—	(20,846)
Segment result	29,299	3,397	12,859	1,931	3,895	5,903	57,284
Other direct expenses excluding impairment							(32,594)
Administrative expenses							(12,234)
Operating profit							12,456
Investment revenues							—
Finance costs							(567)
Profit before taxation							11,889
Tax charge on profit							(2,396)
Profit for the financial year and total comprehensive income							9,493

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

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

2018	**Pawn-broking £'000**	**Gold purchasing £'000**	**Retail £'000**	**Pawn-broking scrap £'000**	**Personal loans £'000**	**Other services £'000**	**Unallocated assets/ (liabilities) £'000**	**Total £'000**
Other information								
Capital additions (*)							2,279	2,279
Depreciation and amortisation (*)							2,483	2,483
Balance sheet								
Assets								
Segment assets	51,991	720	28,876	543	20,491	—		102,621
Unallocated corporate assets							33,933	33,933
Consolidated total assets								141,316
Liabilities								
Segment liabilities	—	—	(646)	—	—	(34)		(680)
Unallocated corporate liabilities							(33,642)	(33,642)
Consolidated total liabilities								(34,322)

2017 (Restated)	Pawn-broking £'000	Gold purchasing £'000	Retail £'000	Pawn-broking scrap £'000	Personal loans £'000	Other services £'000	Unallocated assets/ (liabilities) £'000	Total £'000
Other information								
Capital additions (*)							1,980	1,980
Depreciation and amortisation (*)							2,628	2,628
Balance sheet								
Assets								
Segment assets	47,451	1,658	31,858	1,251	14,930	—		97,148
Unallocated corporate assets							31,833	31,833
Consolidated total assets								133,589
Liabilities								
Segment liabilities	—	—	(650)	—	—	(100)		(750)
Unallocated corporate liabilities							(33,138)	(33,138)
Consolidated total liabilities								(33,888)

(*) 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 revenue from external customers by geographical location are detailed below:

	2018 £'000	2017 (Restated) £'000
United Kingdom	**141,273**	123,492
Other	**1,755**	1,205
	143,028	124,697

The Group's non-current assets are located entirely in 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 £32,565,000 (2017: £27,625,000), which makes more than 10% of the total revenue. These customers are bullion houses involved in the processing of the Group's scrap gold.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

7. PROFIT BEFORE TAXATION

	2018 £'000	2017 (Restated) £'000
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment reported within:		
– Other direct expenses	**2,000**	2,292
– Administrative expenses	**332**	136
Amortisation of intangible assets (reported within other direct expenses)	**150**	200
Loss on disposal of property, plant and equipment	**133**	3
Cost of inventories recognised as expense	**54,884**	46,440
Write (ups)/downs of inventories recognised as an (income)/expense	**(102)**	127
Staff costs (see note 9)	**26,172**	24,480
Impairment loss recognised on pawnbroking financial assets	**10,366**	9,167
Impairment loss recognised on personal loans financial assets	**15,495**	11,652

8. AUDITOR'S REMUNERATION

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

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**54**	57
Fees payable to the Company's auditor for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	**54**	57
Total audit fees	**108**	114
– Tax services	**13**	10
– Other assurance services	**—**	5
Total non-audit fees	**13**	15

The Company and Group audit fees are borne by Harvey & Thompson Limited.

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

The 5 (2017: 3) Non-Executive Directors receive payments for services rendered to the H&T Group plc group. Their emoluments are included in the analysis below:

	2018 £'000	2017 £'000
Directors' emoluments:		
Aggregate emoluments	**705**	1,241
Gain on exercise of share options	**89**	215
Company pension contributions to money purchase schemes	**45**	44
	839	1,500

All Executive Directors during the year (2017: all) participated in Harvey & Thompson Limited's money purchase pension scheme. In addition, £nil (2017: nil) was charged to the Group 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 (2017: None) Director exercised options over shares in the Company in the year. None (2017: None) of the Directors were granted shares under the long term incentive scheme.

	2018 £'000	2017 £'000
Highest paid Director:		
Aggregate emoluments	**305**	648
Gain on exercise of share options	**—**	186
Company pension contributions to money purchase scheme	**26**	25

In addition, £nil (2017: nil) was charged to the Group statement of comprehensive income in respect of the fair value of the share options and conditional shares granted under the different schemes.

	2018 No.	2017 No.
Monthly average number of persons employed (including Directors):		
Branches	**996**	965
Administration	**159**	137
	1,155	1,102

	2018 £'000	2017 £'000
Staff costs during the year (including Directors):		
Wages and salaries	**23,576**	22,026
Social security costs	**2,117**	2,103
Other pension costs	**479**	351
	26,172	24,480

All Directors and employees are remunerated through a subsidiary Group company. The Directors of Harvey & Thompson Limited, the trading subsidiary, are the key management personnel of the Group, of which one is female (2017: none).

10. INVESTMENT REVENUES

	2018 £'000	2017 £'000
Interest revenue:		
Bank deposits	**3**	—

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

	2018 £'000	2017 £'000
Loans and receivables (including cash and bank balances)	**3**	—

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

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

11. FINANCE COSTS

	2018 £'000	2017 £'000
Interest on bank loans	**657**	472
Other interest	**1**	1
Amortisation of debt issue costs	**109**	94
Total interest expense	**767**	567

12. TAX CHARGE ON PROFIT

(a) Tax on profit on ordinary activities

	2018 £'000	2017 (Restated) £'000
Current tax		
United Kingdom corporation tax charge at 19% (2017: 19.25%) based on the profit for the year	**2,633**	2,316
Adjustments in respect of prior years	**(94)**	181
Total current tax	**2,539**	2,497
Deferred tax		
Timing differences, origination and reversal	**133**	(100)
Adjustments in respect of prior years	**33**	(1)
Effects of change in tax rate	**—**	—
Total deferred tax (note 24)	**166**	(101)
Tax charge on profit	**2,705**	2,396

(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 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 (Restated) £'000
Profit before taxation	**13,534**	11,889
Tax charge on profit at standard rate	**2,571**	2,289
Effects of:		
– Disallowed expenses and non-taxable income	**11**	(81)
– Non-qualifying depreciation	**115**	118
– Movement in short-term timing differences	**69**	(110)
– Adjustments to tax charge in respect of prior years	**(61)**	180
Tax charge on profit	**2,705**	2,396

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. The amount taken to equity in the current period was £72,000 (2017: release of £96,000).

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 2018			Year ended 31 December 2017 (Restated)		
	Earnings £'000	**Weighted average number of shares**	**Per-share amount pence**	Earnings £'000	Weighted average number of shares	Per-share amount pence
Earnings per share: basic	**10,829**	**36,895,316**	**29.35**	9,493	36,479,426	26.02
Effect of dilutive securities						
Options and conditional shares	**—**	**126,277**	**(0.10)**	—	155,374	(0.11)
Earnings per share: diluted	**10,829**	**37,021,593**	**29.25**	9,493	36,634,800	25.91

14. DIVIDENDS

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 6.2 pence (2016: 5.3p) per share	**2,329**	1,964
Interim dividend for the year ended 31 December 2017 of 4.4 pence (2017: 4.3p) per share	**1,657**	1,600
	3,986	3,564
Amounts proposed and not recognised:		
Proposed final dividend for the year ended 31 December 2018 of 6.6p (2017: 6.2p) per share..	**2,485**	2,321

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**
Cost and carrying amount			
At 1 January 2017	14,133	3,543	17,676
Disposals	—	(33)	(33)
At 1 January 2018	14,133	3,510	17,643
Disposals	—	—	—
At 31 December 2018	14,133	3,510	17,643

There are no recognised impairment losses at 31 December 2018.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

15. GOODWILL (CONTINUED)

Goodwill acquired in business combinations is allocated as follows:

	2018 £'000	2017 £'000
Harvey & Thompson Limited	**14,133**	14,133
Stores acquired in 2005	**181**	181
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	**49**	49
Stores acquired in 2012	**646**	646
Stores acquired in 2013	**155**	155
	17,643	17,643

The Harvey & Thompson Limited cash generating unit 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. 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 historical performance of an individual store is linked to its acquisition date. This approach is reflected in the way management has presented the above cash generating units.

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 3.

16. OTHER INTANGIBLE ASSETS

	Software £'000	**Customer relationships £'000**	**Total £'000**
Cost			
At 1 January 2017	1,610	2,512	4,122
Additions	—	4	4
Disposals	(11)	(27)	(38)
At 1 January 2018	1,599	2,489	4,088
Additions	—	162	162
Disposals	(11)	—	(11)
At 31 December 2018	1,588	2,651	4,239
Amortisation			
At 1 January 2017	1,546	2,049	3,595
Charge for the year	63	137	200
Disposals	(11)	(27)	(38)
At 1 January 2018	1,598	2,159	3,757
Charge for the year	1	149	150
Disposals	(11)	—	(11)
At 31 December 2018	1,588	2,308	3,896
Carrying amount			
At 31 December 2018	—	343	343
At 31 December 2017	1	330	331

The customer relationships intangible assets arise from the acquisition of trade and assets of sole partnerships or limited companies with no audited financial statements 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.

17. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold premises £'000	Long leasehold premises £'000	Motor vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation						
At 1 January 2017	23,930	218	22	5,305	4,997	34,472
Additions	1,522	12	11	421	11	1,977
Disposals	(576)	—	—	(136)	(60)	(772)
At 1 January 2018	24,876	230	33	5,590	4,948	35,677
Additions	1,204	19	25	670	208	2,126
Disposals	(138)	(2)	(9)	(72)	(91)	(312)
At 31 December 2018	25,942	247	49	6,188	5,065	37,491
Accumulated depreciation and impairment						
At 1 January 2017	19,374	146	18	4,372	3,688	27,598
Charge for the year	1,769	37	6	312	304	2,428
Disposals	(576)	—	—	(100)	(54)	(730)
At 1 January 2018	20,567	183	24	4,584	3,938	29,296
Charge for the year	1,546	25	9	482	270	2,332
Disposals	(29)	(2)	(9)	(58)	(71)	(169)
At 31 December 2018	22,084	206	24	5,008	4,137	31,459
Carrying amount						
At 31 December 2018	3,858	41	25	1,180	928	6,032
At 31 December 2017	4,309	47	9	1,006	1,010	6,381

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

18. SUBSIDIARIES

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

19. INVENTORIES

	2018 £'000	2017 £'000
Retail and scrap inventory	**29,262**	34,102

Of the retail and scrap inventory, 92.10% (2017: 92.09%) 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

	2018 £'000	2017 (Restated) £'000
Trade receivables	**72,500**	62,488
Other receivables	**90**	92
Prepayments and accrued income	**2,080**	1,898
	74,670	64,478

Trade and other receivables are disclosed net of impairment.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

The pledge loan book of £52.0m (2017: £47.5m) and personal loan book of £20.5m (2017: £14.9m) are included, net of provisions, within the trade receivables balance.

	2018 £'000	2017 £'000
Other current assets		
Other current assets	**877**	665

Other current assets represent buyback inventory, where the Group holds items for 31 days in order for customers to re-purchase their items.

21. CASH AND BANK BALANCES

	2018 £'000	2017 £'000
Cash and bank balances	**11,414**	8,676

Cash and bank balances 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 expected credit allowances is provided in note 26.

22. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade payables	**1,899**	1,786
Other taxation and social security costs	**593**	620
Accruals and deferred income	**4,892**	7,325
	7,384	9,731

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2017: 37 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.

	2018 £'000	2017 (Restated) £'000
Current tax liabilities	**797**	1,034

23. BORROWINGS

	1 January 2018 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2018 £'000
Bank Loan	**22,000**	**3,000**	**—**	25,000
Amortised issue costs	**(190)**	**(31)**	**109**	(112)
Total	**21,810**	**2,969**	**109**	24,888

As at 31 December 2018 the key terms of the Lloyds Bank plc facility were:

Key Term	Description
Total Facility Size	£35m
Termination Date	30 April 2020
Utilisation	The facility is available to be drawn down to the full £35m 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 1.75% and 2.75%, dependent on ratios as stipulated in the Credit Agreement.
Interest Payable	Interest due on the loans is payable at each interest period end. 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 £109,000 of deferred debt issue costs written off in the period to the Group statement of comprehensive income (2017: £94,000).

Security

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

Undrawn borrowing facilities

At 31 December 2018, the Group had available £10,000,000 (2017: £8,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

24. DEFERRED TAX

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

	Property, plant and equipment differences £'000	Short-term timing differences £'000	Share based payment £'000	Total £'000
At 1 January 2018	465	716	132	1,313
Adjustment in respect of prior years	(34)	—	—	(34)
Credit to income	91	(191)	(32)	(132)
Debit to equity	—	—	(72)	(72)
As 31 December 2018	522	525	28	1,075

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 (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016.

These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax asset as at 31 December 2018 has been calculated at a rate between 19% and 17% depending on when the deferred tax asset is expected to be utilised in future periods.

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary difference.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

25. PROVISIONS

	Provision for reinstatement and onerous leases £'000
At 1 January 2017	1,497
Additional provision in the year	211
Released provision	(53)
Provision utilised in the year	(342)
At 1 January 2018	**1,313**
Additional provision in the year	**31**
Released provision	**(91)**
At 31 December 2018	**1,253**

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

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

26. FINANCIAL INSTRUMENTS

The Group's financial assets and liabilities, as defined under IFRS 9, and their estimated carrying amount are as follows:

At 31 December 2018	**Financial assets at amortised cost £'000**	**Financial liabilities at amortised cost £'000**	**Carrying amount total £'000**
Financial assets			
Pawnbroking trade receivables	**51,991**	**—**	**51,991**
Other financial services trade receivables	**20,491**	**—**	**20,491**
Other assets	**41**	**—**	**41**
Cash and cash equivalents	**11,414**	**—**	**11,414**
Financial liabilities			
Trade and other payables	**—**	**(6,791)**	**(6,791)**
Borrowings due after more than one year	**—**	**(24,888)**	**(24,888)**
Net financial assets/(liabilities)	**83,937**	**(31,679)**	**52,258**

At 31 December 2017	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Carrying amount total (Restated) £'000
Financial assets			
Pawnbroking trade receivables	47,450	—	47,450
Other financial services trade receivables	14,930	—	14,930
Other assets	126	—	126
Cash and cash equivalents	8,676	—	8,676
Financial liabilities			
Trade and other payables	—	(9,111)	(9,111)
Borrowings due after more than one year	—	(21,810)	(21,810)
Net financial assets/(liabilities)	71,182	(30,921)	40,261

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

As explained in note 3 the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month expected credit losses (ECL).

In order to minimise credit risk, the Group has developed credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information.

For existing customers, loan history and repayment profiles are factored into the loan making decision and in the expected credit loss calculation. The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices. The impact of traditional macro-economic downside indicators are currently deemed to be immaterial to the calculation of ECLs incuding reasonably possible outcomes of Brexit. The Group will continue to monitor external macro-economic trends and their impact and apply an overlay should it become reasonable to do so.

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 security (the pledge) in entering a pawnbroking contract. The security 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 security, the Group further mitigates credit risk by 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 estimates that the current fair value of the security is equal to the current book value.

Expected Credit Losses

The Group measures loss allowances for pawnbroking trade receivables using the IFRS 9 expected credit loss model. On initial recognition of pawnbroking assets, the Group recognises 12 month expected credit losses. If the credit risk on a financial instrument has increased significantly since its initial recognition, the Group recognises lifetime expected credit losses. The Group deems the credit risk of those pawnbroking assets where redemption has not taken place one month after initial recognition to have significant increased, unless there are specific circumstances indicating otherwise. When there are indications that a pawnbroking asset is credit-impaired, no further interest is recognised on the asset. The Group deems those pawnbroking assets not redeemed within nine months of inception to be credit-impaired, unless there are specific circumstances indicating otherwise.

The Group's current credit risk grading framework comprises the following categories:

Category	Basis for recognising expected credit losses	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
Performing	12-month ECL	9,807	(780)	9,027
Increased credit risk	Lifetime ECL – not credit impaired	52,569	(10,178)	42,391
In default	Lifetime ECL – credit impaired	1,338	(765)	573
		63,714	**(11,723)**	**51,991**

Included within the above loss allowances are a specific provision totalling £574,000 in respect of those pledge items where there underlying collateral has lower net realisable value than the amount lent.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

26. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risks (continued)

The Group has performed a sensitivity analysis on the key assumptions used in determining expected credit losses on the pawnbroking balance.

A 1% increase/(decrease) in the Group's redemption ratio is a reasonably possible variance based on historical trends, and would result in an impact on Group pre-tax profit of £0.6m/(£0.8m). This does not account for the potential loss of repeat business however, and as such the Group sees more value in retaining a high redemption ratio.

The changes applied in the above assessment are in isolation for illustrative purposes, and are applied to each of the probability weighted scenarios used to develop the estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

Additionally, the pledge provision represents the 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; and

(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; and

(iii) assets being pledged as security against loans,. which have a net realisable value less than amount lent.

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; and
- An internal audit department monitors compliance with policies at the Group's stores

The pawnbroking trade receivables are disclosed net of the loss allowance recognised against 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:

	£'000
Balance at 1 January 2017	10,446
Net Consolidated Statement of Comprehensive Income charge	571
Written off	(126)
Balance at 31 December 2017	10,891
Net Consolidated Statement of Comprehensive Income charge	918
Written off	(86)
Balance at 31 December 2018	11,723

Personal loans trade receivables

The Group is exposed to credit risk through customers defaulting on their unsecured loans.

In order to minimise credit risk, before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Credit approvals and other monitoring procedures are also specifically in place for personal loan to ensure that follow-up action is taken to recover overdue debts.

Expected credit losses

The Group measures loss allowances for personal loan trade receivables using the IFRS 9 expected credit loss model. On initial recognition of the personal loans, the Group recognises 12 month expected credit losses. If the credit risk on a financial instrument has increased significantly since its initial recognition, the Group recognises lifetime expected credit losses. The Group deems the credit risk of the personal loans where one-to-two payments have been missed after initial recognition to have significantly increased, unless there are specific circumstances indicating otherwise. When there are indications that the personal loan asset is credit-impaired, no further interest is recognised on the asset. The Group deems those personal loans that have missed three scheduled payments of inception to be credit-impaired, unless there are specific circumstances indicating otherwise.

The Group's current credit risk grading framework comprises the following categories, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

Category	Basis for recognising expected credit losses	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
No missed payments	12-month ECL	21,749	(3,271)	18,478
1 missed payment	Lifetime ECL – not credit impaired	4,267	(2,535)	1,732
2 missed payments	Lifetime ECL – not credit impaired	2,223	(1,942)	281
3 + missed payments	Lifetime ECL – credit impaired	37,383	(37,383)	—
		65,622	**(45,131)**	**20,491**

The Group has performed a sensitivity analysis on the key assumptions used in determining expected credit losses on the personal loan balance.

A 1% increase/(decrease) in the Group's expected impairment is a reasonably possible variance based on historical trends, and would result in an impact on Group pre-tax profit of £0.5m/(£0.5m).

The changes applied in the above sensitivity analysis are in isolation for illustrative purposes, and are applied to each of the probability weighted scenarios used to develop the estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The Group applies probabilities to the forecast scenarios identified. The base case scenario (amount as presented in the statement of financial position) is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified key drivers of credit risk and credit losses for each segment of the personal loan balance and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk/losses to be immaterial to the expected credit loss calculation.

The personal loan trade receivables are disclosed net of the expected loss allowance associated with these financial assets. The movement in the provision is as follows:

	Personal loans (Restated) £'000
Balance at 1 January 2017	17,958
Net Consolidated Statement of Comprehensive Income charge	23,289
Written off	(11,652)
Balance at 31 December 2017	29,595
Net Consolidated Statement of Comprehensive Income charge	31,032
Written off	(15,496)
Balance at 31 December 2018	45,131

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

26. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risks (continued)

Other trade receivables
This class represents amounts recoverable from the other financial services activities the Group engages in, for example, 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.

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

	Other services £'000
Balance at 1 January 2017	16
Net Consolidated Statement of Comprehensive Income charge	223
Written off	(221)
Balance at 31 December 2017	18
Net Consolidated Statement of Comprehensive Income charge	177
Written off	(172)
Balance at 31 December 2018	23

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:

	2018 £'000	2017 £'000
Barclays Bank plc	**55**	47
Lloyds Bank plc	**3,046**	1,149
Cash at stores	**8,313**	7,480
	11,414	8,676

Market risk

Pawnbroking trade receivables
The collateral which protects the Group from credit risk on non-redemption of pawn loans is 99% (2017: 99%) comprised of gold, jewellery items and watches. The value of gold items held 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.

A 1% increase/(decrease) in the gold price is estimated to impact the pre-tax profit by £180,000/(£180,000) and represents management's assessment of the reasonably possible change in gold prices.

The Group considers this risk to be limited for a number of reasons. The Group applies conservative lending policies in pawnbroking pledges reflected in the blended margin made on retail sales and 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 fair value of the collateral held at the reporting date is estimated to be approximately £56,356,000 (2017: £50,762,000). There has not been any significant changes in the quality of the collateral held from the previous year. 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, by increasing the proportion of gold sold through retail sales or by entering gold hedging instruments. Management monitors the gold price on a constant basis.

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 inventory, 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.

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's funding is through a banking institution with a high credit-rating. The current borrowings are disclosed in detail in note 23, which shows that the Group has arrangements in place for funding until April 2020. At 31 December 2018, the Group also has available £10,000,000 (2017: £8,000,000) 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 23. On 1 March 2018, the Group extended the existing facility with Lloyds Bank plc by £5,000,000 allowing for maximum borrowings of £35,000,000 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.

The maturity analysis of the cash flows arising from both current borrowing arrangements 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**	**Total £'000**
At 31 December 2018							
Floating rate borrowings	**51**	**51**	**204**	**314**	**25,204**	**—**	**25,824**
Trade and other payables	**1,899**	**4,893**	**—**	**—**	**—**	**—**	**6,792**
Total	**1,950**	**4,944**	**204**	**314**	**25,204**	**—**	**32,616**

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	Total £'000
At 31 December 2017							
Floating rate borrowings	40	40	163	251	494	22,164	23,152
Trade and other payables	1,786	7,325	—	—	—	—	9,111
Total	1,826	7,365	163	251	494	22,164	32,263

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

26. FINANCIAL INSTRUMENTS (CONTINUED)

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 1.0% 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.

	1.0% decrease in interest rates £'000	1.0% increase in interest rates £'000
At 31 December 2018		
Finance costs: gain/(loss)	**183**	**(250)**
Total pre-tax impact on profit from gain/(loss)	**183**	**(250)**
Post tax impact on equity gain/(loss)	**148**	**(203)**
At 31 December 2017		
Finance costs: gain/(loss)	109	(220)
Total pre-tax impact on profit from gain/(loss)	109	(220)
Post tax impact on equity gain/(loss)	88	(178)

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

	2018 £'000	2017 £'000
Issued, authorised and fully paid		
37,658,511 (2017: 37,437,760) ordinary shares of £0.05 each	**1,883**	1,872

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

The Group issued share capital amounting to £11,000 (2017: £20,000) relating to share options exercised and associated share premium of £511,000 (2017: £887,000).

Options over shares of the Company are disclosed in note 28. Under these share option arrangements, there are 615,572 (2017: 838,990) open options over shares.

Employee Benefit Trust shares reserve

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 Group 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 23, 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:

	2018 £'000	2017 (Restated) £'000
Debt	**25,000**	22,000
Cash and cash equivalents	**(11,414)**	(8,676)
Net debt	**13,586**	13,324
Equity	**106,994**	99,701
Net debt to equity ratio	**12.7%**	13.4%

Debt is defined as long and short-term borrowings, as detailed in note 23, 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.

28. SHARE-BASED PAYMENTS

As at 31 December 2018, the Company operated three share award schemes (Approved Share Options Scheme, Unapproved Share Option Scheme and Long-term incentive plan). There was no P&L charge for the year in respect of the above schemes.

Awards that can be granted under the three schemes total a maximum of 3,765,851 shares (2017: 3,743,776 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 2009 and 2010 have already been met. The performance conditions applicable to grants in subsequent years are as follows:

Options granted in 2011, 2012 and 2013 are 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:

	Grant date	**Exercise price Pence**	**Number of shares**	**Earliest date of exercise**	**Expiry date**
ASOS 2009	April 2009	194.0	18,151	30/04/2012	29/04/2019
ASOS 2010	April 2010	245.5	27,696	19/04/2013	18/04/2020
ASOS 2011	April 2011	298.5	62,387	18/04/2014	17/04/2021
ASOS 2012	March 2012	297.0	66,742	29/03/2015	28/03/2022
ASOS 2013	March 2013	292.3	79,315	28/03/2016	27/03/2023

The Group did not issue any share options during 2014, 2015, 2016, 2017 and 2018.

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

	Number of share options	**2018 Weighted average exercise price (in pence)**	Number of share options	2017 Weighted average exercise price (in pence)
Outstanding at beginning of the year	**375,783**	**275.6**	604,399	272.9
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**(2,667)**	**295.7**	(48,295)	280.0
Exercised during the year	**(118,825)**	**259.4**	(180,321)	265.4
Outstanding at the end of the year	**254,291**	**282.9**	375,783	275.6
Exercisable at the end of the year	**254,291**	**282.9**	375,783	275.6

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

28. SHARE-BASED PAYMENTS (CONTINUED)

B. Unapproved Share Option Scheme ('USOS')

The Unapproved Share Option Scheme is a discretionary option scheme under which the Remuneration Committee 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.

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

The options outstanding at the year end were as follows:

	Grant date	Exercise price Pence	Number of shares	Earliest date of exercise	Expiry date
USOS 2009	April 2009	194.0	150,839	30/04/2012	29/04/2019
USOS 2010	April 2010	245.5	171,242	19/04/2013	18/04/2020
USOS 2011	April 2011	298.5	8,139	18/04/2014	17/04/2021
USOS 2012	March 2012	297.0	9,237	29/03/2015	28/03/2022
USOS 2013	March 2013	292.3	21,824	28/03/2016	27/03/2023

The Group did not issue any share options during 2014, 2015, 2016, 2017 and 2018.

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

	2018 Number of share options	**2018** Weighted average exercise price (in pence)	2017 Number of share options	2017 Weighted average exercise price (in pence)
Outstanding at beginning of the year	**463,207**	**225.2**	677,159	217.4
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**—**	**—**	—	—
Exercised during the year	**(101,926)**	**210.7**	(213,952)	200.5
Outstanding at the end of the year	**361,281**	**229.3**	463,207	225.2
Exercisable at the end of the year	**361,281**	**229.3**	463,207	225.2

C. Performance Share Plan ('PSP')

The PSP 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.

On 28 December 2018 a new PSP scheme was put in place. There are 14 senior managers who are participants of the scheme, together with the 2 Executive Directors. The maximum number of potential shares awarded under the scheme will be 375,130, including 171,820 for the Executive Directors.

In accordance with the rules of the 2018 PSP, the shares subject to the PSP awards will be released on 28 December 2021 subject to continued employment and the satisfaction of certain specific performance conditions. The awards are further subject to claw back and malus provisions.

The performance conditions for the awards are based on achieving growth in Total Shareholder Return over a three-year period at between 30% and 54% and Earnings per Share growth over the same three-year period at between 27% and 48.6%; there is a two-year retention period thereafter.

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.

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**6,293**	6,519

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

	Land and buildings		**Other**	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Leases expiring:				
Within one year	**5,750**	6,179	**80**	77
In the second to fifth years inclusive	**13,300**	15,573	**124**	199
After five years	**6,247**	8,305	**—**	—
	25,297	30,057	**204**	276

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

30. NOTES TO THE CASH FLOW STATEMENT

	2018 £'000	2017 (Restated) £'000
Profit for the year	**10,829**	9,493
Adjustments for:		
Investment revenues	**(3)**	—
Finance costs	**767**	567
Decrease in provisions	**(60)**	(185)
Income tax expense	**2,705**	2,396
Depreciation of property, plant and equipment	**2,333**	2,429
Amortisation of intangible assets	**150**	200
Loss on disposal of property, plant and equipment	**133**	69
Operating cash flows before movements in working capital	**16,854**	14,969
Decrease/(Increase)in inventories	**4,884**	(4,311)
(Increase)/Decrease in other current assets	**(212)**	184
Increase in receivables	**(9,851)**	(11,989)
(Decrease)/Increase in payables	**(2,351)**	618
Cash generated/(used in) from operations	**9,324**	(529)
Income taxes paid	**(2,776)**	(2,508)
Interest paid	**(642)**	(456)
Net cash generated/(used in) from operating activities	**5,906**	(3,493)

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 in 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':

	2018 £'000	2017 £'000
Short-term employee benefits	**1,098**	1,717
Pension contributions	**56**	59
Share-based payments	**128**	215
	1,282	1,991

32. CAPITAL COMMITMENTS

There is no significant capital expenditure authorised and contracted for but not provided in the accounts (2017: £nil).

33. EVENTS AFTER THE BALANCE SHEET DATE

The Directors have proposed a final dividend for the year ended 31 December 2018 of 6.6p (2017: 6.2p) (note 14).

34. EXPLANATION OF TRANSITION FROM IAS 39 TO IFRS 9

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. However, the Group has elected to restate comparatives in respect of the classification and measurement of financial instruments.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

(a) Classification and measurement of financial assets

The Directors reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement: financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

There have been no other reclassifications of financial assets that have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

As the Group has elected to restate comparatives for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the Directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

The result of the assessment is as follows:

			Cumulative additional loss allowance recognised on:	
Items existing as at 1 January 2018 that are subject to the impairment provision of IFRS 9	**Note**	**Credit risk attributable at 1 January 2017 and 2018**	**1 January 2017 £'000**	**1 January 2018 £'000**
Pledge Book	20	A proportion of these balances are assessed to have credit risk other than low. Accordingly, the Group recognises lifetime ECL for these loans until they are derecognised.	5,101	**5,473**
Trade receivables (loan book)	20	For the remaining proportion the Group has assessed that the credit risk on these financial instruments has not increased significantly since initial recognition and have recognised 12-months ECL for these assets.	1,486	**3,326**
Cash and bank balances	21	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	—	**—**

The additional credit loss allowance of £8,799,000 as at 1 January 2018 and £6,587,000 as at 1 January 2017 has been recognised against retained earnings on the respective dates, net of their related tax impact of £878,000 and £509,000 respectively, resulting in a net decrease in retained earnings of £7,921,000 and £6,078,000 as at 1 January 2018 and 2017 respectively. The additional loss allowance is charged against the respective asset. The application of the IFRS 9 impairment requirements has resulted an additional loss allowance of £1,843,000 being recognised in year ended 31 December 2017.

Notes to the consolidated financial statements

For the year ended 31 December 2018 (continued)

34. EXPLANATION OF TRANSITION FROM IAS 39 TO IFRS 9 (CONTINUED)

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9	New carrying amount under IFRS 9
Trade and other receivables (note 20)	Loans and receivables	Financial assets at amortised cost	73,277	(8,799)	64,478

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 9 for the prior year.

Impact on profit or loss, other comprehensive income and total comprehensive income as at 31 December 2017	**£'000**
Increase in revenue	**14,363**
Increase in administrative expenses	**(16,575)**
Decrease in tax charged on profit	**369**
Decrease in profit for the year	**(1,843)**

Impact on assets, liabilities and equity as at 1 January 2017	**£'000**
Decrease in trade and other receivables	**(6,587)**
Increase in deferred tax assets	**509**
Total effect on net assets	**(6,078)**
Retained earnings	**(6,078)**

Impact on assets, liabilities and equity as at 31 December 2017	**£'000**
Decrease in trade and other receivables	**(8,799)**
Increase in deferred tax assets	**452**
Decrease in tax liabilities	**426**
Total effect on net assets	**(7,921)**
Retained earnings	**(7,921)**

The application of IFRS 9 has had no impact on the cash flows of the Group.

Parent Company balance sheet

As as 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments	C	**44,586**	44,586
		44,586	44,586
Current assets			
Receivables		**59**	59
Cash at bank and in hand	D	**2**	2
		61	61
Liabilities: amounts falling due within one year	E	**(9,439)**	(5,860)
Net current assets		**(9,378)**	(5,799)
Total assets less current liabilities		**35,208**	38,787
Net assets		**35,208**	38,787
Capital and reserves			
Called up share capital	F	**1,883**	1,872
Share premium account		**27,153**	26,641
Employee Benefit Trust shares reserve		**(35)**	(35)
Share option reserve		**1,495**	1,495
Profit and loss account		**4,712**	8,814
Total shareholders' funds		**35,208**	38,787

The financial statements of H&T Group plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 11 March 2019.

Signed on behalf of the Board of Directors by:

J G Nichols
Chief Executive

11 March 2019

Parent Company statement of changes in equity

For the year ended 31 December 2018

2018 Company	Note	Called up share capital £'000	Share premium account £'000	Employee benefit trust shares reserve £'000	Share option reserves £'000	Profit and loss account £'000	2018 Total £'000
At 1 January		**1,872**	**26,641**	**(35)**	**1,495**	**8,814**	**38,787**
Loss for the financial year		**—**	**—**	**—**	**—**	**(116)**	**(116)**
Dividend paid		**—**	**—**	**—**	**—**	**(3,986)**	**(3,986)**
Issue of share capital	F	**11**	**512**	**—**	**—**	**—**	**523**
At 31 December		**1,883**	**27,153**	**(35)**	**1,495**	**4,712**	**35,208**

2017 Company	Note	Called up share capital £'000	Share premium account £'000	Employee benefit trust shares reserve £'000	Share option reserves £'000	Profit and loss account £'000	2017 Total £'000
At 1 January		1,852	25,754	(35)	1,495	12,487	41,553
Loss for the financial year		—	—	—	—	(109)	(109)
Dividend paid		—	—	—	—	(3,564)	(3,564)
Issue of share capital	F	20	887	—	—	—	907
At 31 December		1,872	26,641	(35)	1,495	8,814	38,787

Notes to the Parent Company financial statements

For the year ended 31 December 2018 (continued)

A. ACCOUNTING POLICIES

Basis of preparation

H&T Group plc is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on page 21. The nature of the company's operations and its principal activities are set out in the business overview on pages 4 to 7.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the FRC in July 2015 and July 2016.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the Group financial statements of H&T Group plc.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group financial statements of H&T Group plc. The Group financial statements of H&T Group plc are available to the public.

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.

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 IFRS 3 'Business Combinations', 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.

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 & Thompson 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 Parent Company financial statements

For the year ended 31 December 2018 (continued)

B. COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of comprehensive income for the year.

The Company made a loss after taxation of £116,000 in 2017 (2017: loss of £109,000).

The auditor's 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 (2017: £nil). Other than the Directors, the Company has no employees in either financial year.

C. INVESTMENTS

Shares in subsidiary undertaking	Total £'000
Cost	
At 1 January 2018	44,586
Additions	—
At 1 January 2018 and 31 December 2018	44,586

Within the cost at 1 January 2018 includes cost of shares in a subsidiary undertaking of £1.

Additions in the prior year represent capital contributions in relation to share options issued to employees, as set out in note 28 on page 71-73.

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

Name of Company	Country of incorporation	Proportion of ordinary shares held: Directly	Indirectly	Principal Activity
Harvey & Thompson Limited (Registered office: Times House, Throwley Way, Sutton, Surrey, SM1 4AF)	England & Wales	100%		Pawnbroking, jewellery sales, gold purchasing, unsecured lending, cheque cashing and related services
Cashline Pawnbrokers Limited (Registered office: Times House, Throwley Way, Sutton, Surrey, SM1 4AF)	England & Wales		100%	Pawnbroking.

The Company owns directly or indirectly 100% of the voting rights in the subsidiary undertakings. H&T Group plc is incorporated in England & Wales.

D. RECEIVABLES

	2018 £'000	2017 £'000
Amounts owed by subsidiary companies	**35**	35
Prepayments and accrued income	**24**	24
	59	59

E. LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade creditors	**404**	329
Amounts owed to subsidiary companies	**9,008**	5,505
Accruals and deferred income	**27**	26
	9,439	5,860

F. CALLED UP 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

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

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

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

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

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

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

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

CREWE
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 Street, E8 2JP
Tel: 020 7254 1788

DARLINGTON
23 Skinnergate, DL3 7NW
Tel: 01325 361 781

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

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

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

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

DOWNHAM
438 Bromley Road, BR1 4PP
Tel: 020 8697 6212

Store directory (continued)

DUDLEY
215 Wolverhampton Street, DY1 1EF
Tel: 01384 238 577

DUNDEE
116 Seagate, DD1 2ET
Tel: 01382 205 213

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 Road, 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
169-171 Fore Street, N18 2XB
Tel: 020 8887 8910

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

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

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

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

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

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
116 King Street, W6 0QP
Tel: 020 8563 8585

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

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

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, 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

HOUNSLOW
253 High Street, TW3 1EA
Tel: 020 8577 0084

HULL
Unit 30, 37 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

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

KIRKBY
Unit 11b, St Chads Way, L32 8RD
Tel: 0151 546 6622

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

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
305-307 Breck Road, L5 6PU
Tel: 0151 263 4699

LIVERPOOL
66 County Road, Walton, L4 3QL
Tel: 0151 523 0085

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

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

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

LUTON
174 The Mall, LU1 2TL
Tel: 01582 486 711

MACCLESFIELD
23 Chestergate, SK11 6BX
Tel: 01625 430 699

MARGATE
72 High Street, 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
67 Clayton Street, NE1 5PY
Tel: 0191 232 6908

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

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 Shopping Centre,
OL1 1XF
Tel: 0161 627 5904

OLDHAM
Unit 24, Town Square,
Spindles Shopping Centre, OL1 1XF
Tel: 0161 628 9303

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

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

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

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

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

PETERBOROUGH
1 Westgate, PE1 1PX
Tel: 01733 310 794

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

PORTSMOUTH
186 Kingston Road, PO2 7LP
Tel: 02392 691 751

PRESTON
11 Friargate, PR1 2AU
Tel: 01772 563 495

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

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

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

SOUTHALL
1a The Broadway, UB1 1JR
Tel: 020 8843 4920

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

Store directory (continued)

SOUTHAMPTON
Unit 19, Marlands Shopping Centre,
SO14 7SJ
Tel: 02380 225 336

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 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,
Streford Mall Shopping Centre, M32 9BB
Tel: 0161 865 4930

SUNDERLAND
26 Blandford Street, SR1 3JH
Tel: 0191 565 0008

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

SUTTON
232 High Street, SM1 1NT
Tel: 020 8643 9994

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

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

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

TOOTING JUNCTION
20-22 London Road, SW17 9HW
Tel: 020 8640 7575

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

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

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

WALSALL
8 The Bridge, WS1 1LR
Tel: 01922 638 501

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

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 2BJ
Tel: 01923 247 740

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

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

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

WEST BROMWICH
23B St Michael Street,
B70 7AB
Tel: 0121 525 8133

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

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

WOLVERHAMPTON
10a Cleveland Street, WV1 3HH
Tel: 01902 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

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

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

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