H&T GROUP PLC

The UK's leading pawnbroker

Annual Report and Accounts 2019

Expanding Our Reach

“The Group has continued to reap rewards from its ongoing investments into people development and system improvements.”

John G Nichols
Chief Executive

Highlights

Gross profit

£101.4m

(2018: £88.2m)

EBITDA†

£30.0m

(2018: £22.9m)

†See note 3 for the definition of EBITDA

Profit before tax

£20.1m

(2018: £13.8m)

Diluted EPS

43.8p

(2018: 29.6p*) *Restated for IFRS 16

Dividend per share

11.7p

(2018: 11.0p)

Read more about our business on pages 6-7

Contents

"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 Nichols
Chief Executive

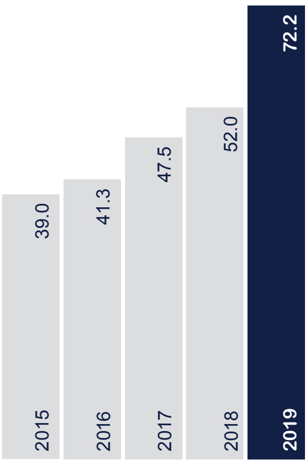
For more information go to our website
www.handt.co.uk

Key performance indicators

Pledge book (£m)

£72.2m

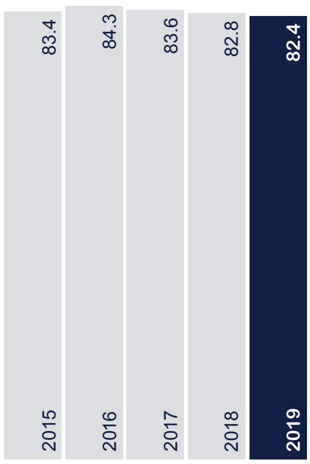
Up 38.8% (2018: £52.0m)



Redemption of annual lending (%)

82.4%

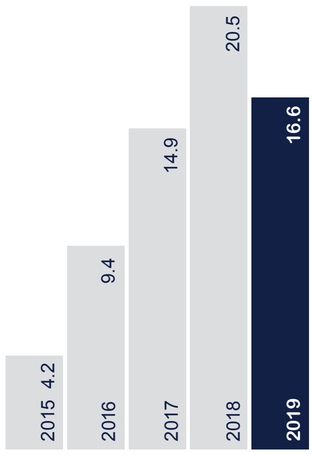
(2018: £83.5m*)



Net personal loan book (£m)

£16.6m

Reduced 19.0% (2018: £20.5m)

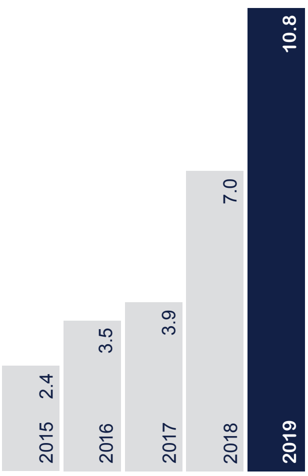


*This is the actual percentage of lending in each year which was redeemed or renewed; the 2019 figure is an estimate based on recent trend and early performance.

Personal loan revenue less impairment (£m)

£10.8m

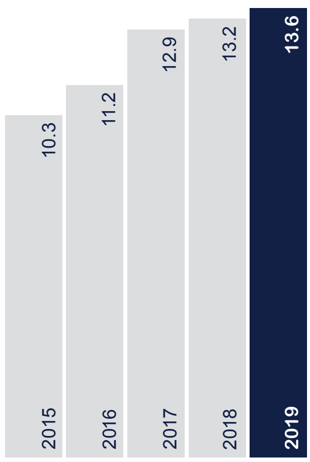
Up 54.3% (2018: £7.0m)



Retail gross profits (£m)

£13.6m

Up 3.0% (2018: £13.2m)



Number of stores

252 stores

(2018: 182 stores)

(*) Certain comparative information in the financial statements has been restated as a result of the initial application of IFRS 16 as discussed in note 34 to the consolidated financial statements. Pre 2018 balances have not been restated above.

Overview

Chairman's statement

The Group has integrated

70

new stores and

248 new employees

into the core operation.

The Group has delivered a strong financial performance while expanding its core pawnbroking estate of stores via the strategic acquisitions of assets from The Money Shop and A&B during the year.

The integration of the 70 new stores, 159 pledge books and 248 new colleagues was enabled by committed, enthusiastic and capable staff utilising well-established processes developed in H&T. The acquisitions expand our presence in the UK market and enable us to leverage investments made in recent years in our people, systems and digital initiatives. As planned, we have already made good progress in increasing the pawnbroking business for these stores. We thank our core investors for supporting a £6.1m equity placing that facilitated this expansion.

The Group saw more than 400,000 pawnbroking customer visits last year and delivered solid revenue growth in our core pawnbroking secured lending business. We improved overall store profitability and made progress in streamlining our customer journey experiences while developing our online channel in retail, although there is more work to do. Our unsecured personal lending was scaled back during the year as we focused on higher quality lending.

The opportunity to build further our digital and online capability backed up by our store network will be an important 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 continues to focus on the changing risks, both regulatory and financial, that wider product and channel diversification brings.

The growth in our retail and FX businesses, together with the re-introduction of overseas money wire transfer via Western Union provides a degree of resilience to changes in the pawnbroking and lending marketplace.

Financial Performance

The Group delivered profit after tax of £16.7m (2018: £11.0m) and diluted earnings per share of 43.8 pence (2018: 29.6 pence). Subject to shareholder approval, a final dividend of 7.0 pence per ordinary share (2018: 6.6 pence) will be paid on 29 May 2020 to those shareholders on the register at the close of business on 1 May 2020. This will bring the full year dividend to 11.7 pence per ordinary share (2018: 11.0 pence).

The Group's financial position is strong with growth in the pawnbroking loan book to £72.2m (2018: £52.0m). The growth represents steady organic expansion supported by acquisition and was funded by strong operating cashflow, with net debt increasing by just £0.4m to £14.0m at 31 December 2019 (2018: £13.6m).

At year end, the Group had available headroom of £9.0m on its £35.0m borrowing facilities (2018: £10.0m).

Our Team

One of the Group's greatest strengths is its people, reflected in the loyalty of our high number of long-serving colleagues. Their skills and expertise are at the core of our strong customer relationships and we continue to invest in training, development and progression of our valuable staff. We have enhanced our technical in-store and e-learning training and will continue our leadership development programme. The Group is proud of its culture that fosters passion and enthusiasm to deliver exceptional customer service and outcomes.

Strategy

The Group has an enlarged and growing customer base, a talented team to serve them and a diversified business model. A strong asset base and good cash generation leaves the Group able to exploit further growth opportunities.

The demand for small-sum, short-term cash loans remains strong. The Group continues to focus on strategies to grow its pawnbroking business and its personal lending service, and to develop its retail offering through digital and online strategies to complement its store estate. We will continue to focus on operational effectiveness to improve customer experiences.

Our network of stores supports this development, notably our click-and-collect service from the est1897 and H&T websites.

This creates an important distinction between H&T and a purely online business.

In developing our Personal Loan product, we have always maintained 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. We are now working with the FCA on our policies and procedures for providing affordable products in the High-Cost-Short-Term unsecured credit market (HCSTC). During this review we have voluntarily withdrawn from the HCSTC market. As part of this review we will be examining strategically whether in operating in HCSTC we are both able to provide our customers with the affordable products within the relevant regulatory framework that they deserve and provide a sustainable appropriate return to our shareholders commensurate with the risks undertaken.

Regulation

We have always 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. As set out in our market release of 18 November 2019, we are in the early stages of working with the FCA to review our policies and procedures to enhance our affordability assessments, using technology to streamline and improve the quality of the decision-making. We understand that several other companies in the industry are progressing such reviews. We will also be carrying out a past business review under the supervision of a Skilled Person during 2020.

Prospects

During 2019, the Board regularly monitored the uncertainty surrounding Brexit and now that the UK has left the EU we continue to evaluate the further potential impacts on our staff, customers and suppliers, of various possible outcomes, including no deal scenarios by the end of 2020. We do have some EEA Nationals within our workforce, but we have seen limited effect on them to date and believe the potential impact of even unfavourable Brexit scenarios is likely to be limited. No product supply issues are foreseen.

In recent weeks the risks relating to the spread of COVID-19 and concern for the potential virus impact in the UK have increased. H&T is continuously reviewing its contingency plans for the various potential and highly uncertain developments that may impact on our staff both at our operations centres and our stores, our customers, and the suppliers and logistics partners on whom we rely.

While the macroeconomic impact of these risks is uncertain, we believe our range of products is well positioned to take advantage of any eventuality. The business has traded positively throughout the recent period of heightened uncertainty as the gold price has strengthened in response.

During 2019 the business has taken an unprecedented step forward with the acquisitions of stores and assets from the Money Shop and A&B. Although sizeable for H&T and significant within the industry, these have been carefully structured, efficiently financed and well-managed to date. They have greatly increased the store presence of H&T across the UK.

We are pleased with progress of integration of our new colleagues into our strong existing culture, our systems and our business mix and, in particular, with our progress so far in developing pawnbroking from the new customer base.

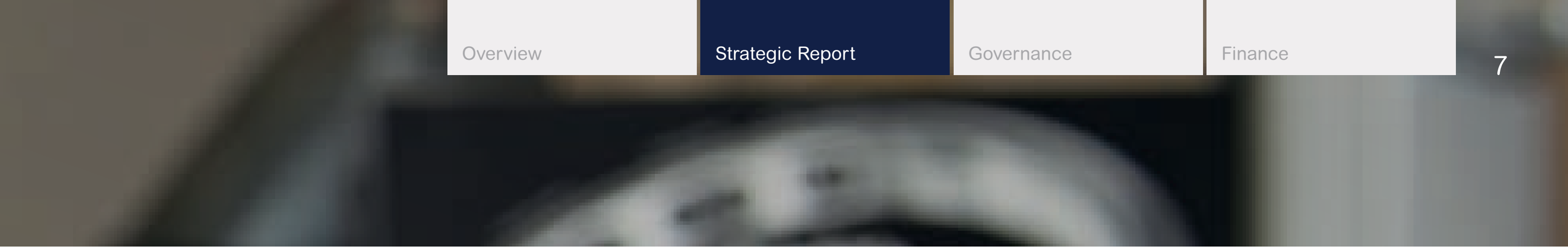
The enlarged footprint from which H&T now operates supported by our digital offering represents a very strong platform for the development of future profitable returns.

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

Peter D McNamara
Chairman

Strategic Report

Our business



Who we are

H&T was established in 1897 in London making it one of the oldest pawnbrokers in the UK. As at 31 December 2019 H&T is the largest pawnbroking business in the UK by size of pledge book.

H&T is an active member of the local communities in which it operates and serves. For example, the store in Edinburgh has operated from the same building and served the same community for more than 150 years. Customer service excellence across a range of good value products and services coupled with a commitment to the high street underpins H&T's approach.

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 252 as at 31 December 2019 (2018: 182).

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.

Expansion

With the support of loyal shareholders H&T raised £6.1m of cash via a share placing during the year which, together with existing resources, enabled it to expand its geographic reach via the acquisition of new stores and pawn pledge books. The H&T store estate has grown from 182 to 252 stores during the year because of acquiring assets from The Money Shop and A&B.

(See pages 10-11)

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, creating an omni-channel customer experience.

Our customers

H&T serves a diverse range of customers across our product portfolio. Often our customers who use our lending products, cannot raise funds through more traditional channels such as banks or online loan providers. Typically, these customers have experienced some form of credit problems in the past, or they have a thin credit file. Many of H&T's customers have only lived in the UK for a short period of time. Often our customers need quick access to funds to meet an emergency expense and having a high street presence means H&T can provide a convenient, fast service whilst building a lasting relationship with our customers face to face.

Away from its lending products our foreign currency offering attracts customers who are looking for a convenient service which is competitively priced. Our online click and collect customers often shop around for the best deal in their town or city. Our foreign currency offering is complementary to our other products. Each of our stores offers a diverse range of predominantly preowned retail watches and jewellery, attractive to our lending and non-lending customers.

Customer demographics

Gender Split

	Male	Female
Pawnbroking	**51%**	**49%**
Personal Loans	**59%**	**41%**
Retail	**49%**	**51%**
Buyback	**68%**	**32%**

Age profile

	Pawnbroking	Retail	Personal Loans	Buyback
18-24	**6%**	**6%**	**10%**	**12%**
25-35	**24%**	**21%**	**30%**	**38%**
36-44	**23%**	**20%**	**24%**	**25%**
45-55	**25%**	**21%**	**23%**	**17%**
56+	**22%**	**32%**	**13%**	**8%**

Personal service

We offer our services both online and in store to give our customers greater choice on how they transact with us. With a diverse customer base, we want to provide a personal touch in-store, but also offer access to our services via simple to use online journeys. Our staff understand that each customer has different needs and they use our range of products to help them to find the best solution individual to them. We believe that providing customers with the option of face-to-face interaction in-store helps to build trust and understanding and helps us to create long lasting relationships.

Customer feedback

H&T has 2,258 Trustpilot reviews with 95% of reviews rated as excellent.

Recently shopped at the Peterborough branch: *"Received excellent service from Andrew. He always goes that extra mile and is so helpful and professional. Will definitely be back."*

Worth the visit: *"Went to the Bromley branch of H&T Pawnbrokers today and was served by Pauline. Very friendly, polite and helpful. First visit went so smoothly; will use again, great way to dispose of broken jewellery."*

Brilliant service: *"I went to the Margate branch and I received very lovely service from Frankie and Alex. They made me feel comfortable and were efficient and professional. I would definitely go there again, and I highly recommend their branch. Thanks to the two of you for your help!"*

(Source: Trustpilot)

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.

Our channels

Stores

We continue to invest in our face-to-face offering and increased our store footprint by 70 new sites during the year. The commitment to offering our customer a choice of channels is key to our strategy.

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 and tablets. 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; 50% (2018: 53%) of our customers are aged under 36.

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.

Money wire transfer

In partnership with Western Union we offer the ability for customers to send money transfers worldwide. This service was re-introduced to our store estate during the year, following recent technologic improvements made by Western Union to make the process, and so improving efficiency of customer service.

Linking digital with store presence

In 2019 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. We valued in excess of £12m worth of customer assets and sent marketing campaigns out to over 250,000 customers.

Our multi-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. This was driven by our store estate using iPads to show customers additional stock, which can be viewed in store 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, resulting in a 26% increase in year on year traffic.

Our online to instore personal loans journey generated over 50,000 applications, and we launched an online portal so our personal loan customers can make payments, check their balance and request settlement figures digitally.

IT security & infrastructure

We have continued to make significant investment in the IT infrastructure during 2019 with key focus on improving IT Security and service availability.

The entire desktop estate was refreshed with new hardware and the latest software as part of the **"Year of the Store"** programme of works.

"Year of the Store" also delivered new networking switches to stores and 4G capability, which provides a secondary back-up connectivity option.

We will remain focused on IT security and availability in 2020, with work scheduled to refresh the internal firewall estate with new devices and to upgrade the remaining store network links. Additionally, there are plans to refresh and upgrade the telephony capabilities across the group.

Our IT security countermeasures will also continue to evolve and improve in response to a changing threat landscape.

Strategic Report

H&T store estate

In 2019 we successfully extended our retail footprint with the addition and operation of 70 stores in locations new to the Company. Of these, 64 were acquired from The Money Shop. The remaining six were former Albemarle & Bond outlets; we negotiated with the existing landlords and have established H&T Pawnbrokers stores on these premises.

The new stores allow us to offer our existing customers greater choice of store location and also serve communities where we did not previously have a presence. We are aligning our digital strategy to further support our expanded portfolio.

NEW STORES

ASHTON UNDER LYNE
BARNSLEY
BEDFORD
BIRMINGHAM:
- **ACOCKS GREEN**
- **KINGSTANDING**
- **WARD END**

BOLTON
BOREHAMWOOD
BRIDGWATER
BURNLEY
BURTON ON TRENT
CAMBRIDGE
CANTERBURY
CARDIFF
CLACTON ON SEA
CUMBERNAULD
DOVER
DUNSTABLE
ERDINGTON
GLASGOW:
- **SHAWLANDS**
- **QUEEN'S PARK**

GRAYS
HALIFAX
HAMILTON
HARROW
HATFIELD
HAYES
HEMEL HEMPSTEAD
HUDDERSFIELD
IPSWICH
KIDDERMINSTER
LEEDS (HAREHILLS)
LIVERPOOL (HUYTON)
LONDON:
- **BARKINGSIDE**
- **BURNT OAK**
- **CANNING TOWN**
- **CLAPHAM HIGH STREET**
- **EDGEWARE**
- **ENFIELD**
- **GOLDERS GREEN**
- **KILBURN BRIDGE**
- **KILBURN NORTH**
- **ROSE HILL**
- **SHEPHERD'S BUSH**
- **STRATFORD OLYMPIC**
- **WILLESDEN**
- **WOOLWICH (BERESFORD SQUARE)**
- **WOOLWICH (GREENS END)**

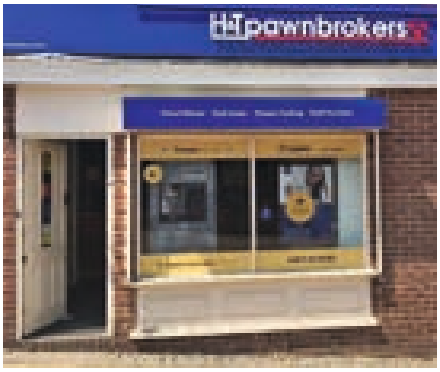
MAIDSTONE
MANCHESTER:
- **LEVENSHULME**
- **LONGSIGHT**

MANSFIELD
MILTON KEYNES (BLETCHLEY)
NEWCASTLE (WEST ROAD)
NEWPORT
NORTHAMPTON (REGENT SQUARE)
NORWICH
OXFORD
PETERBOROUGH
RAMSGATE
ROCHDALE
SHEFFIELD (KING STREET)
SITTINGBOURNE
WALTHAM CROSS
WELLINGBOROUGH
WIDNES
WISBECH
WOKING
WOLVERHAMPTON
YORK (ACOMB)

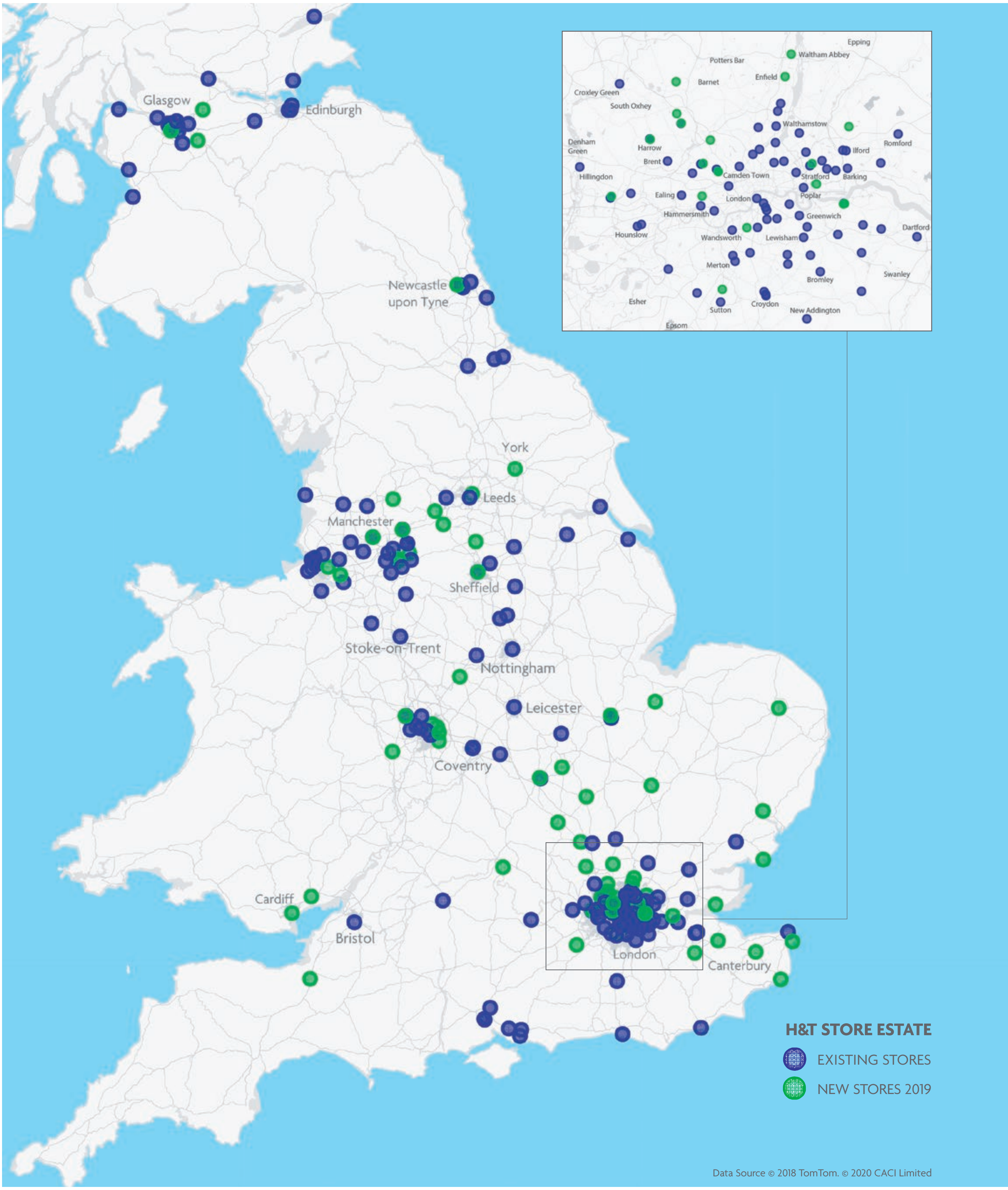
Cambridge

Mansfield

Edgeware



Canterbury



Glasgow
Edinburgh
Newcastle upon Tyne
York
Leeds
Manchester
Sheffield
Stoke-on-Trent
Nottingham
Leicester
Coventry
Cardiff
Bristol
London
Canterbury
Epping
Waltham Abbey
Potters Bar
Enfield
Barnet
Croxley Green
South Oxhey
Walthamstow
Denham Green
Harrow
Romford
Ilford
Brent
Hillingdon
Camden Town
Stratford
Barking
Ealing
London
Poplar
Hammersmith
Greenwich
Hounslow
Dartford
Wandsworth
Lewisham
Merton
Bromley
Swanley
Esher
Sutton
Croydon
New Addington
Epsom
H&T STORE ESTATE
EXISTING STORES
NEW STORES 2019
Data Source © 2018 TomTom. © 2020 CACI Limited

Chief Executive's review

The Group achieved profit before tax of

£20.1m

(2018: £13.8m) due to improved gross profits in the key segments of pawnbroking, retail, personal loans and other services.

The Group has continued to reap rewards from its investments into people development and system improvements and via the acquisitions of people, assets and new stores from The Money Shop and A&B.

Core trading and performance from our 70 new stores was strong.

Our goal was to get the best possible result from our core operations, expand our geographic footprint and develop our digital capabilities while expanding the online channel. We have delivered against all those objectives in the past year.

The Group achieved profit before tax of £20.1m (2018: £13.8m) due primarily to improved gross profits in the key segments of pawnbroking, personal loans and other services.

The market

During 2019 despite political and economic uncertainties elsewhere we experienced relative stability in terms of external factors impacting our business, with an increasing gold price assisting returns. The core strength of our business allowed us to integrate new stores and welcome 248 new colleagues, while we continued to refine our propositions and expand our customer base.

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. In expanding our credit products, we aim to genuinely help our customers.

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, personal lending, FX and money wire transfer, 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 customers with the opportunity to speak to a trained member of staff face to face or to collect an item that they have reserved online.

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 (auction, retail or scrap) the pledged item. The value of the item is set by auction, whether it is the reserve, or the actual sale price should it sell. From that price we deduct the interest accrued to date plus an admin fee; the remainder is then given back to the customer should there be a surplus resulting from this process. Title to the item then passes to the company.

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 26.2% to £39.0m (2018: £30.9m) and the pledge book increased 38.8% to £72.2m (31 December 2018: £52.0m) because of increased customer numbers and growth in all categories of carat gold, diamond and watches. The pledge book in the core estate (excluding 2019 acquired stores) grew by £13m, 25% driven by increased lending to newly acquired customers and organic growth in transactions. We have increased the pledge book in acquired stores from £5m to £7m in just a few months.

The risk-adjusted margin (revenue as a percentage of the average net pledge book) was 64.6% (2018: 63.1%). Redemption of annual lending has remained consistently high at an estimated 82.4% for lending in 2019 (2018 actual: 82.8%).

The Group has benefitted from the expertise provided by the Expert Eye service that allows high quality images of assets in store to be assessed remotely by our team of experts. This in turn improves the quality of decisions made and extends the range of assets on which we can lend.

The Group developed software during the year 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 further pawnbroking customer expansion during 2020.

Pawnbroking summary:

	2019 £'m	2018 £'m	Change %
Year-end net pledge book[1]	72.2	52.0	38.8%
Average net pledge book	60.4	49.0	23.3%
Revenue less impairment	39.0	30.9	26.2%
Risk-adjusted margin[2]	*64.6%*	*63.1%*	

[1] Includes accrued interest and impairment
[2] Revenue as a percentage of the average net pledge book

Chief Executive's review (continued)

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 8.4% to £41.5m (2018: £38.3m), gross profits increased 3.0% to £13.6m (2018: £13.2m) and margin reduced to 32.9% (2018: 34.4%). Margin reduction was due to a higher proportion of new items sold in 2019 as opposed to pre-owned, higher costs of goods sold in respect of watch servicing and repair costs, and discounting on aged jewellery during 2019.

The Group has reduced retail inventories during the year with average monthly balances of £2.2m, 7% lower during 2019 than 2018. The stock decrease was driven by a desire to reduce aged items. This was 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 48% increase in online generated revenues over the year with revenue growing to £4.0m (2018: £2.7m). The development of our on-line to store customer journey has resulted in 85% of the on-line generated items sold being fulfilled in-store. These are generally higher value watches and jewellery, while opportunity exists to further develop our direct basket sales.

Further improvements are planned for our est1897 website, which holds more than 3,000 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 to 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 reduced by 19.0% to £16.6m (31 December 2018: £20.5m). Revenue less impairment has increased by 54.3% to £10.8m (2018: £7.0m) by the Group taking proactive action in areas identified as not economically viable and the expansion in our longer term, lower interest rate loan product, delivered through our store estate.

In October we voluntarily and temporarily ceased offering high-cost-short-term-credit unsecured (HCSTC) loans, while we work with the FCA and appoint a skilled person to review our policies and procedures for affordability assessment and review our past business practices. As part of this review, we are examining strategically whether in operating in HCSTC we are both able to provide our customers with the affordable products that they deserve and at the same time also provide a sustainable, appropriate return to our shareholders commensurate with the risks undertaken.

The increase in the risk-adjusted margin (RAM) to 56.3% (2018: 38.9%) is the result of improved credit risk assessments during the year and the contraction in the book. The reduced book meant a lower proportion of new customers compared with 2018 and consequently lower impairment charged. Our absence from HCSTC lending will have a financial impact in the future.

Impairment as a percentage of revenue has improved to 49.8% (2018: 68.9%), reflecting the increased mix of lower yield, higher quality loans.

Personal loans summary:

	2019 £'m	2018 £'m	Change %
Year-end net loan book	16.6	20.5	-19.0%
Average monthly net loan book	19.2	18.0	6.7%
Revenue	21.5	22.5	-4.4%
Impairment	(10.7)	(15.5)	-31.0%
Revenue less impairment	10.8	7.0	54.3%
Interest yield[1]	*111.5%*	*125.0%*	
Impairment % of revenue	*4.8%*	*68.9%*	
Impairment % of average monthly net loan book	*55.7%*	*86.1%*	
Risk-adjusted margin[2]	*56.3%*	*38.9%*	

[1] Revenue as a percentage of average loan book

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

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 £2.8m of the net loan book at year end (31 December 2018: £1.2m). This product is designed to provide a "near prime" option for our best customers. Due to these initiatives, 90% (2018: 59%) of the personal loan book is non-HCSTC.

New customer lending of £30.0m (2018: £38.0m) was made through our stores during 2019.

Pawnbroking scrap

The average gold price during 2019 was £1,094 per troy ounce (2018: £950), a 15.2% increase. The gold price directly impacts the revenue received on the sales of scrapped gold.

Gross profits increased by 78.6% to £2.5m (2018: £1.4m), primarily due to an increase in gold price between the date the title of the pledged item passed to H&T and the date scrapped.

Gold purchasing

Gross profits increased by £1.9m to £5.7m (2018: £3.8m). The increased margin contributed £1.1m to the GP increase with a 17% increase in the volume of gold sold attributing the remaining £0.8m of the uplift.

Other services

Other services principally comprise FX, buyback, cheque cashing and money-transfer. Gross profits from these services increased to £9.0m (2018: £6.1m).

The key growth components of FX, cheque cashing and buyback improved in the year with gross profits from FX increasing to £5.2m (2018: £3.6m), cheque cashing increasing to £1.5m (2018: £0.9m) and buyback increasing to £1.7m (2018: £1.6m).

FX is a simple transactional product which attracts a new customer base to the business. During the year we have offered a wider currency choice in-store and introduced further digital rate boards. Our website FX click and collect offering remains in its infancy, with upside potential.

Buyback was introduced to enable the Group to service a customer base without appropriate assets for a pawnbroking loan, the principal assets purchased being mobile phones and tablets.

GROSS PROFIT BREAKDOWN

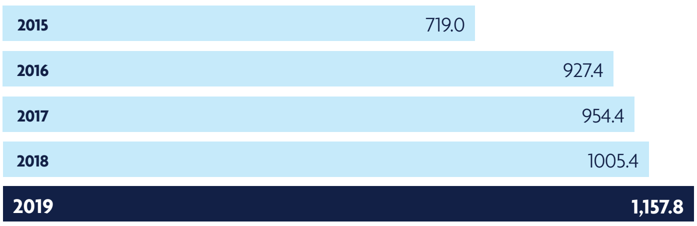
Pawnbroking	48.4%
Retail	13.5%
Gold purchasing	5.7%
Pawnbroking scrap	2.4%
Personal loans	21.2%
Other services	8.8%

STORE DEVELOPMENT

	2015	2016	2017	2018	2019
Acquired	—	—	—	1	70
New Stores	—	—	—	—	—
Closed	(2)	(8)	—	—	—
Estate Total	**189**	**181**	**181**	**182**	**252**

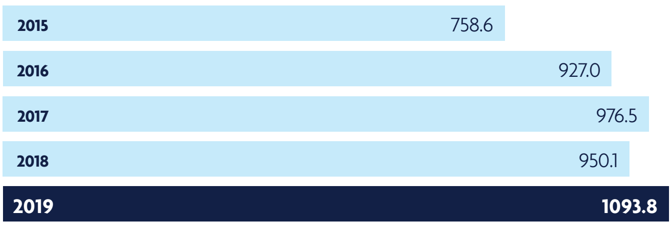
END OF PERIOD STERLING GOLD PRICE

(£ per troy oz)



AVERAGE STERLING GOLD PRICE

(£ per troy oz)



Following the year end, we decided to exit this line of business. To manage the disposition risks in a fast-moving technology-based marketplace required continuous investment in different valuation and control technologies and our skilled staff can be better deployed elsewhere within our other suite of products.

I would also like to add my great thanks to those of the Chairman, in welcoming our new colleagues to the Group and 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

Chief Financial Officer's review

Basic earnings per share were

43.9p

(2018: 29.7p).

For the year ended 31 December 2019, gross profit increased 15.0% from £88.2m to £101.4m driven by growth in the main income streams and above-expected returns from precious metal scrappage, reflecting the high gold price.

Financial results

Total direct and administrative expenses increased by 9.6% to £78.9m from £72.0m. This principally reflects an increase in staff costs to support the growth of the business and costs associated with new stores offset by a £5.1m reduction in impairment charges. Pawnbroking impairment is down £0.2m, on a larger book and personal lending impairment reduced by £4.8m on a smaller, improved quality book.

The £12.0m, 26.0% increase in costs (excluding impairment) to £58.1m from £46.1m is principally a result of investment in staff to support business volumes and costs associated with new stores acquired during the year. Newly acquired store costs comprise £5.3m of the increase. The Board considers the continued investment in people and systems to be vital in repositioning the business to take advantage of the market conditions.

Debt finance costs remained at £0.8m, as internal cash resources were used in the main to fund capital and acquisition investment made during the year.

Profit before tax increased by £6.3m to £20.1m, up 45.7% from £13.8m in 2018.

Acquisitions and disposals

During the year the Group invested to increase the core estate via two significant acquisitions. First, via the £11.0m asset purchases from Instant Cash Loans Ltd and TM Sutton Ltd (t/a The Money Shop) which contributed to a net increase of 64 fully-fitted stores, together with cash of £1.0m and pledge value of £6.0m. Of the consideration paid, £1.6m remains in escrow pending certain performance conditions. Subsequently from Speedloan Finance Ltd (t/a Albemarle & Bond or A&B) we acquired, for £8.7m, its entire pawnbroking estate from its 107 closed stores. These books were predominantly incorporated into our core (including newly acquired Money Shop) stores. Additionally, we selectively took over leases from six closed A&B stores filling customer supply gaps in our core estate.

Cash flow

The growth in profit for the year resulted in an increase in operating cash flows (before movements in working capital) of 32.6% to £30.5m (2018: £23m).

The Group accelerated the growth in its pawnbroking secured lending book, through acquisition and organic growth, and reduced the rate of growth in personal loans during 2019 resulting in a net increase in receivables of £5.5m in the year (2018: £9.9m). After working capital movements, the Group's cash inflow from operating activities of £25.8m outstripped last year's inflow of £7.2m.

Balance sheet

As at 31 December 2019, the Group had net assets of £122.6m (2018: £103.8m) with year-end net debt of £14.0m (2018: £13.6m) delivering a reduction in gearing to 11.4% (2018: 13.1%).

During the year the Group renewed its facility with Lloyds Bank plc. This allows for maximum borrowings of £35.0m, subject to covenants, at a margin of between 1.75% and 2.75% above LIBOR. At year end £26.0m was drawn on the facility (2018: £25.0m) and the Group was well within the covenants with a net debt to EBITDA ratio of 0.47x (2018: 0.59) and an EBITDA to interest ratio of 30.4 (2018: 28.9) (see note 3 for the definition of EBITDA). The facility has a termination date of 12 June 2022.

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 16

IFRS 16 is a new standard on lease accounting which the Group adopted with effect 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 profit for 2019 is favourable by £0.1m. Further information is provided in note 12 to the consolidated financial statements.

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 2019 (2018: £nil).

Share price and eps

At 31 December 2019, the share price was 338p (2018: 264p) and market capitalisation was £134.3m (2018: £99.4m). Basic earnings per share were 43.9p (2018: 29.7p), diluted earnings per share were 43.8p (2018: 29.6p).

Richard Withers
Chief Financial Officer

Strategic Report

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 • 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 and best practice for critical systems • Network segmentation between core sites and systems to limit attack vectors • Conduct internal vulnerability testing and external 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 • Improve staff threat awareness • Align business to ISO27001 security standards • Regularly reviews of employee access rights based on "minimum access" principles

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. See note 26 for further details.

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		
	2019	**2018**
Barclays Bank plc	A1	A1
Lloyds Bank plc	Aa3	Aa3

The Group had no significant concentration of credit risk at year end other than on bank balances of £42,000 with Barclays Bank plc (2018: £55,000) and £2,018,000 (2018: £3,046,000) 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 2019, the Group had £9.0m (2018: £10.0m) 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 (2018: £35.0m).

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

Section 172 (1) statement
The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its stakeholders. We continue to improve the Annual Report disclosures to ensure they give a fair, balanced and understandable assessment of the Group's position and prospects. We set out below information about all our key stakeholder groups, explaining how we engage and strive to develop collaborative relationships. In compliance with s172 Companies Act 2006, the Board plans to undertake its own stakeholder mapping process and review stakeholder engagement on an annual basis. The ongoing aim is to consider whether there are any ways in which this can be more effective. During 2019, we carried out an internal evaluation of Board performance and effectiveness, applying the principles of the Corporate Governance Code. No areas of material concern were highlighted.

How the Group observes principles 5 to 9 of the QCA code is detailed on pages 27-29. Here we discuss how we ensure the Group's board functions appropriately, how it ensures an appropriate corporate culture is embedded and how effective decision-making takes place.

During 2019 the most important examples of the Board acting to consider all stakeholders in determining its course of action were in relation to the important Money Shop and A&B acquisitions. The Board conducted intense scrutiny over an extended period in each case to ensure that each transaction aligned with the long-term value creation for shareholders as described in the CEO's statement but also considered carefully our staff, customers, and regulators.

Both acquisitions support the strategy of expanding our distribution capabilities and geographic expansion within the UK. (see page 12 for a fuller description of our strategic priorities). Following extensive financial and operational diligence the Board considered that the culture and practices of the target businesses would fit with H&T's. We worked with the FCA on integration matters to ensure satisfactory consumer outcomes in particular in respect of the A&B acquired books. We also worked with the CMA on competition aspects of the acquisitions and addressed carefully TUPE legislation in respect of the transfer in of our new colleagues and alignment with existing H&T staff. The Board also oversaw an extensive customer communication strategy. In the best interests of existing shareholders, we financed the acquisitions in part via cash reserves, our renewed £35m borrowing facility and limited the issue of new shares to £6m.

The Board's approach is to generate strong relationships across all stakeholder groups. A significant part of the rationale of the acquisitions was the consideration that we had the personnel capability to take on the acquisitions and the opportunity provided to develop our experienced existing store managers, deputy-store managers and staff. As part of the integration they are working together with new colleagues to enhance returns achieved in the acquired businesses which have operated previously with less capital and more limited operational support. They have worked together across the 70 new stores to train new colleagues to understand our processes, but also to receive and adopt best practices across the combined group product mix and to develop further the H&T culture.

Our shareholders
We generate value for shareholders by delivering sustainable growth in profitable returns on capital over and above H&T's cost of capital. We aim to maintain a progressive dividend policy – targeting at least 2 times dividend cover over the business cycle and to articulate a clear corporate strategy to shareholders in a way that is easy to understand. We emphasise personal contact and individual dialogue – with a significant time for shareholder meetings working with PR consultants (Haggie Partners) to provide ongoing communication support.

We engage with our shareholders to ensure that our long-term strategy is aligned with their interests and to explain how we aim to deliver sustainable growth and maximise the growth potential of the business.

On page 26 we set out in further detail how the Group complies with principle 2 of the QCA (meeting shareholder needs and expectations).

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 9.6million 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 are market competitive and we endeavour to ensure that 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.

Corporate social responsibility (continued)

Training and development

Induction	All new employees attend a three-day induction in one of our purpose-built training centres.
Stairsteps	All store colleagues can develop their technical awareness of how to run a store through the Stairsteps Levels 1 to 5 Programme. The learning and development team continue to revise and deliver product training to store colleagues through a blended learning approach which is in line with recommended good practice.
E-Learning	We upgraded our eLearning platform to support colleagues in store and in the support centres and is an important component of our regulatory compliance programme.
Unsecured Lending Centre	Our Unsecured Lending Centre delivers its own underwriting and collections training as well as vulnerability training via in-house experts.

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. We continually invest in system improvements, taking into account feedback, in order to improve quality standards and the customers' experience.

Our people
At H&T we recognise that our people are a highly important asset, and we ensure our workforce are highly trained, motivated and rewarded. We were pleased to welcome 248 new employees through acquisitions in 2019 and have found that colleagues have a firm view that the culture of the 'newly combined' business is founded on the values of 'family', 'trust' and 'being valued'.

Reward and recognition
As well as offering competitive salaries and bonus schemes we offer a generous benefits package and in 2019 we implemented a standalone employee benefits platform to showcase our employees what is on offer 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;
- Shopping, cinema and eating out discounts
- Provision of pension contribution and
- Financial planning workshops.

Throughout the year we operate several 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. In 2019 the Top Team store went to Mexico.

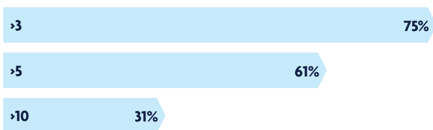
Employee engagement
Your Voice is a council-style meeting with employees from a variety of positions within the Group, and geographically from around the country. These provide a forum to discuss suggestions and ideas with senior management. The meetings are very productive as they allow direct feedback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

Positive results have already been achieved in the area of retention with annual turnover decreasing from 38% in 2018 to 19% in 2019.

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.

We value experience and recognise long service from 5 years on in five yearly increments. During 2018, 134 employees received a long service award and 77 employees were invited to attend a lunch in London to celebrate services of 10 years or more; including two Store Managers who were both celebrating an impressive 35 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 year end:

	Full Time	Part Time	Total
Male	310	56	366
Female	639	439	1078
Total	**949**	**495**	**1,444**

	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)*	7 (70%)	3 (30%)
Regional managers	1 (50%)	1 (50%)
Area managers	11 (55%)	9 (45%)

Our suppliers

We seek to develop long-term partnerships to ensure commitment and implement controls and processes to ensure that each supplier adheres to appropriate standards of trade. For example, by testing bought-in jewellery items we ensure that only the best quality materials are used. Wherever possible we put in place and monitor service level agreements and implement our own internal audit checks to ensure adherence.

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.

Communities and environment

We ensure the Group maintains strong ethical and corporate responsibility principles and are strongly committed to human rights.

Communities are an important end user of our products with shared values. 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

Government and regulatory bodies

We operate within a framework for policy set by Government and regulators. We work with both HMRC and the FCA to ensure the Group attains the highest standard of corporate governance and to ensure that the Group's ongoing monitoring training and compliance procedures meet best practice. We aim for our business practices to provide a solid foundation for sustainable growth. We are active members of the National Pawnbroking Association, Consumer Credit Trade Association and the Consumer Finance Association.

The Group reinforce compliance with regulations, (e.g. GDPR, AML and anti-bribery) with regular ongoing staff training to update and refresh awareness.

On pages 26-27 we set out in further detail how the Group complies with principle 3 of the QCA (how we take into account wider stakeholder and social responsibilities).

Strategic report approval

This report was approved by the Board of Directors on 9 March 2020 and signed on its behalf by:

John G Nichols
Chief Executive
9 March 2020

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, 69

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

Richard J Withers
Chief Financial Officer, 52

Appointed: 14/01/2020

Committees: None

Profile: Richard trained with KPMG before joining PwC's Corporate restructuring team. In 2000 Richard joined Dollar Financial, operating as its UK Finance Director for 5-years. Since then he has held numerous directorships in other related companies. Richard joined H&T in March 2018 as interim finance director before being formally appointed to the Plc board in January 2020. He is a member of the Institute of Chartered Accountants in England and Wales.

External appointments: None

Peter D McNamara
Non-Executive Chairman, 69

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, 62
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, 56

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 Barclays UK Current Account and Insurance Committee.

External appointments: None

Mark J Smith
Non-Executive Director, 61

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 Limited and MJS & Associates Limited

Registered and head office and advisers

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Broker and Nominated Adviser
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10 Paternoster Square
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EC4M 7LT

Legal advisers to the Group
Gowling WLG
4 More London Riverside
London
SE1 2AU

Addleshaw Goddard
60 Chiswell Street
London
EC1Y 4AG

Independent Auditor
Deloitte LLP
Statutory Auditor
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Bankers
Lloyds Bank plc
25 Gresham St
London
EC2V 7HN

Barclays Bank plc
1 Churchill Place
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

Governance

Compliance Statement

The directors recognise the importance of good corporate governance practice is in the best interests of all stakeholders of the business. Under the London Stock Exchange's AIM rule 26 the directors have adopted the Corporate Governance Code of the Quoted Companies Alliance (QCA). This corporate governance report sets out our governance framework and the work we have done to ensure good governance within the Group. We've detailed 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 the Strategic report section on pages 6-24.

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".

During the year the Group completed two strategic acquisitions, firstly of 65 trading stores and 46 pledge books from The Money Shop and secondly 113 Pledge Books from Albemarle & Bond. These acquisitions continue our growth in the alternative credit sector and help to establish H&T as one of the UK's leading providers of financial services. The acquired stores fill geographical gaps in the Group's UK coverage from a high street presence offers broader opportunity for digital fulfilment of our product range.

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 CFO 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 Annual General Meeting (AGM) is the primary method of engagement with our private shareholders, through both the distribution of the annual report and attendance at the meeting. We encourage our private and institutional shareholders to attend our AGM, and several individual shareholders attended the last meeting in May 2019. The voting record at the AGM 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 12-15 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.

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 it is important to engage with our full range of stakeholders. Active engagement 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 products to identify areas for improvement. We consistently receive good feedback from our customers, our TrustPilot score is 4.9 (based on reviews up to February 2020), we also acknowledge that despite our best efforts things can go wrong, if customers have cause to complain, we listen to them and ensure that we remedy any mistakes made.

We understand that many customers may experience some form of vulnerability during their lives. Identifying and supporting vulnerable customers is important to us, during the year we have strengthened our team responsible for identifying and supporting vulnerable customers through the course of their interaction with the Group. Additionally, we have formed a strategic partnership with the Money Advice Trust, who are completing a review of our vulnerable customer policies and procedures during 2020.

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.

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.

We hold regular Your Voice, 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.

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 many people may 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 aim at all times to treat customers fairly. 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 stringent checks on all customers prior to loan approval. We complete root cause analysis in response to any customer complaints and adapt our processes and procedures in response.

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.

Corporate and Social Responsibility

The Group is committed to reducing its impact on the environment, reducing this through investment in video conferencing technology, requiring staff to use public transport for business travel when possible, use of energy efficient technology in stores and utilising Carbon offsetting for significant business travel. As the UK's largest retailer of second-hand Jewellery one of the Group's main product lines is by its nature sustainable, reducing the potential the impact on the environment of new Jewellery production. The Group will complete a review of its Corporate and Social Responsibility policies during 2020 and further enhance the steps it is taking to minimise its impact. For more details of our Corporate and Social Responsibility see [https://handt.co.uk/about/investor-relations/corporate-social-responsibility].

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

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 Stephen Fenerty sadly lost his battle with Leukaemia passing away in July 2019, having served as Executive director since February 2005. Martin Pugh was appointed as an Executive Director on 27 November 2019, subsequently resigning 14 January 2020. Richard Withers, having acted as interim Finance Director since February 2018, was appointed to the Board as Executive Director on 14 January 2020.

The Board considers, after careful review, that the Non-Executive Directors bring sufficient independent judgement to the Group. Directors conflicts of interest are discussed at each Board meeting and steps taken to address any actual or perceived conflicts. All Directors use their independent judgement to challenge matters, whether strategic or operational. The Chairman holds regular update meetings with each Director to ensure they are performing as they are required.

Attendance at Board and committee meetings:

	Board	Audit	Remuneration	Risk	Nomination
Peter McNamara	11(11)	3(3)	5(5)	3(4)	1(1)
James Thornton	11(11)	3(3)	5(5)	4(4)	1(1)
Mark J Smith	11(11)	3(3)	5(5)	4(4)	1(1)
Elaine Draper	11(11)	3(3)	5(5)	4(4)	1(1)
John Nichols	11(11)	N/A	N/A	N/A	N/A
Richard Withers[1]	11(11)	N/A	N/A	N/A	N/A

Note 1: director of Harvey & Thompson Limited, appointed as CFO of H&T Group Plc on 14 January 2020

Compliance Statement (continued)

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 24. The Board has satisfied itself that between them the Directors have the necessary up-to-date experience, skills and capabilities. The appointment of two new NEDS in 2018 has brought a more complementary balance of skills and experience to the Board.

Independent advice

All Directors can take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors will have direct access to the advice and services of the Company Secretary and Finance Director. Following the year end, the Board has decided to separate the role of Company secretary from the Executive Directors and have identified a professional to act in this capacity from March 2020.

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. In 2019 the Board 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. The Board continues to monitor these and after discussion has decided to complete an external review process in 2020. We are committed to continuous improvement and take seriously our obligation for developing our Board capabilities and effectiveness.

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 our employees share our collective values.

During 2019 the Group engaged in a full review of its culture across by engaging in employee discussion forums across the whole business. The results of this review, in conjunction with the annual staff questionnaire, will form the basis of a full strategic HR review to be carried out by the Head of Human Resources during 2020.

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 Non-Executive Directors hold shares as disclosed on page 33. There is no entitlement to share options for Non-Executive Directors, and there are no cross Directorships between Executive and Non-Executive Directors. The Non-Executive Directors are considered to be independent.

Board meetings

The Board is responsible to the shareholders for the proper management of the Group. A Directors' responsibilities statement in respect of the financial statements is set out in this financial statement on page 36.

The Board meets formally 11 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:

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

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

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 and internal auditors.

As directed by the Audit Committee, the principal function of the Group's internal audit team is to verify the design and operational effectiveness of all controls across the business. Within the store estate and Jewellery Centre there is a focus on physical presence and control procedures surrounding the cash, pledge and inventory balances. 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 on page 29 for further information on the committees' 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:

- Elaine F Draper (Chair)
- Peter D McNamara
- James F Thornton
- 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);
- the Group's current risk exposure including horizon scanning for new and potential risk and the capability to manage those risks; and
- in respect of the processes and procedures, the arrangements for the identification, assessment, monitoring management and oversight of risk.

The Risk Committee reviews regular reports of the Head of Audit & Compliance to oversee the operational management of the compliance and risk 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 also reviews the minutes and relevant reports of the Group's Credit Risk Committee.

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 internal and external. The Audit Committee meets at least three times a year.

Compliance Statement (continued)

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 2019 are outlined below. 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 37 to 41.

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: • 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.

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 control and for the continuing process of reviewing the adequate design and operational effectiveness of the controls. 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 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 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 and reviewed by the Board. 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 CFO 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 2019.

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 12 to 15.

Dividends

The Directors propose a final dividend of 7.0p (2018: 6.6p) per share subject to approval at the Annual General Meeting on 7 May 2020. 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 2018 of 6.6p per share (2017: 6.2p per share) and an interim dividend for the year ended 31 December 2019 of 4.7p per share (2018: 4.4p 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 2,077,965 ordinary shares (2018: 220,751) 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 2019 was £1,986,824 (31 December 2018: £1,882,925).

As at 26 February 2020, 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	14.63%
Fidelity International	9.99%
Fidelity Management & Research	9.98%
Close Brothers Asset Management	9.23%
Camelot Capital Partners	6.71%
BlackRock	5.79%
Octopus Investments	4.08%
Hargreaves Lansdown, stockbrokers (EO)	3.07%
Janus Henderson Investors	2.97%
Directors	2.90%

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 2019 or 31 December 2018.

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
R J Withers (appointed 14 January 2020)
J M Pugh (appointed 27 November 2019, resigned 14 January 2020)
S A Fenerty (resigned 19 July 2019)

Non-Executive
P D McNamara
J F Thornton
E F Draper
M J Smith

The notifiable beneficial interests of each of the Directors as at the year end in the ordinary share capital of the Company are shown below:

Director	Type of share	At 1 January 2019	At 31 December 2019
J G Nichols	Ordinary 5p shares	1,104,530	1,129,730
S A Fenerty	Ordinary 5p shares	305,933	324,071
P D McNamara	Ordinary 5p shares	17,351	17,351
M J Smith	Ordinary 5p shares	1,000	1,000
E F Draper	Ordinary 5p shares	1,000	1,000

R J Withers, who was appointed after the year end, held 1,030 shares in the Company on his appointment on 14 January 2020. There have been no other changes in the interests of the current Directors between 31 December 2019 and the date of this report.

At 31 December 2019, the market price of H&T Group Plc's shares was 338.0p and the range during the year ended 31 December 2019 was 265.5p to 398.0p.

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 370.0p.

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 Director will, by rotation, be offering themselves for re-election:

- P D McNamara
- R J Withers

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:

	2019 £	2018 £
Emoluments	**1,051,946**	705,095
Gain on exercise of share options	**180,874**	89,018
Money purchase pension contributions	**33,869**	44,603
	1,266,689	838,716

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	315.0p	1/5/2012	30/4/2019
– 2010 Scheme	93,686	—	—	—	93,686	245.5p	—	20/4/2013	19/4/2020
	181,314	—	87,628	—	93,686				
S A Fenerty									
– 2009 Scheme	61,855	—	61,855	—	—	194.0p	315.0p	1/5/2012	30/4/2019
– 2010 Scheme	54,989	—	—	—	54,989	245.5p	—	20/4/2013	19/4/2020
	116,844	—	61,855	—	54,989				

Directors' report (continued)

Directors' emoluments and compensation

Name of Director	Fees/ Basic salary £	Benefits in kind £	Annual bonuses £	2019 Total £	2018 Total £
Executive					
J G Nichols	261,596	13,635	379,314	**654,545**	304,795
S A Fenerty	107,087	5,594	—	**112,681**	203,430
L M Pugh	72,876	2,722	—	**75,598**	—
Non-Executive					
P D McNamara	77,151	—	—	**77,151**	74,279
M L Berryman	—	—	—	**—**	29,296
J F Thornton	45,149	—	—	**45,149**	41,575
E F Draper	43,411	—	—	**43,411**	25,860
M J Smith	43,411	—	—	**43,411**	25,860
Aggregate emoluments	650,681	21,951	379,314	**1,051,946**	705,095

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. JG Nichols has voluntarily agreed to defer 30% of the 2019 annual bonus payment. It will become payable at the discretion of the Board on completion of the HCSTS past business review required by the FCA.

In each of the years 2018 and 2019 the Board established a long-term incentive plan based on the performance of the business over a three-year period and provided for a payment in shares at the end of the periods.

Directors' pension entitlements

Two Directors (2018: 2) were members of money purchase schemes during the year. Contributions paid by the Group in respect of such Directors were as follows:

	2019 £	2018 £
J G Nichols	**26,160**	25,647
S A Fenerty	**7,709**	18,956
	33,869	44,603

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 to the consolidated financial statements.

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 (2018: £nil).

Going concern
The Group delivered profit after tax of £16.7m for the year ended 31 December 2019 (2018: £11m). The Group also increased its net assets to £122.6m (2018: £103.8m).

The Board has approved a detailed budget for 2020, 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 allows for maximum borrowings of £35.0m, subject to covenants. The facility terminates on 12 June 2022, with the ability to extend for an additional year in June 2022 and 2023. At the year end, £26.0m 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 2020 and into Q1 2021. The Group met all covenants in 2019 and there is no evidence to suggest that they will not be met in 2020 or Q1 2021.

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 to the consolidated financial statements.

Based on the above considerations and after reviewing in detail 2020 and Q1 2021 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

9 March 2020

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

Governance

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 9 March 2020 and is signed on its behalf by:

Chief Executive Officer
J G Nichols

9 March 2020

Finance

Independent auditor's report to the members of H&T Group Plc

Report on the audit of the financial statements

1. OPINION

In our opinion:

- **the financial statements of H&T Group Plc (the 'Parent Company') and its subsidiaries (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 2019 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 35 and A to G

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).

2. 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.

3. 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; and • Valuation of the personal loan impairment.
Materiality	The materiality that we used for the Group financial statements was £1,104,000 which was determined on the basis of 5.5% of the Group's profit before tax.
Scoping	We have performed a full audit scope on both H&T Group Plc and its trading subsidiary Harvey & Thompson Limited.
Significant changes in our approach	There are no significant changes in our approach in the current year.

Independent auditor’s report (continued)

4. CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of these matters.

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.

5. 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.

5.1. 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 2019 was £19m (2018: £13m).

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 2019 was 82.4% (actual redemption of 2018 loans: 82.8%).

Further information regarding the valuation of the pledge interest accrual is found within the Audit Committee Report on page 29; the critical accounting judgements and key sources of estimation uncertainty on page 72 and note 4 to the financial statements.

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

We obtained an understanding of management’s relevant 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:

- Re-performing 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 assess 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.
- Challenging management on their assessment of macroeconomic overlays by investigating whether correlations exist between historical redemption rates and macroeconomic factors such as unemployment and inflation rates.
- Assessing management’s historical forecasting accuracy by performing a retrospective 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 pledge interest accrual is appropriately valued.

5.2. Valuation of the personal loan impairment

Key audit matter description

IFRS 9 Financial instruments requires management to consider and record impairments (expected credit losses) based on unbiased forward-looking information. The measurement of expected credit loss involves 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 2019 the gross loan book totalled £36m (2018: £65m) and the provision totalled £19m (2018: £41m).

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 valuation of the personal loan impairment is found within the Audit Committee Report on page 29; the critical accounting judgements and key sources of estimation uncertainty on page 77 and note 4 to the financial statements.

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

We obtained an understanding of management's relevant 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 any impact of Brexit), expected or potential payment defaults and expected delays in payments.
- Challenging management on their assessment of macroeconomic overlays by investigating whether correlations exist between historical redemption rates and macroeconomic factors such as unemployment and inflation rates.
- Performing a retrospective review of the prior year provision and subsequent write-offs.
- Performing testing over loans which are classified as 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.
- Assessing whether the personal loan provision calculation is consistent with the requirements of IFRS 9 Financial instruments.

Key observations

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

6. OUR APPLICATION OF MATERIALITY

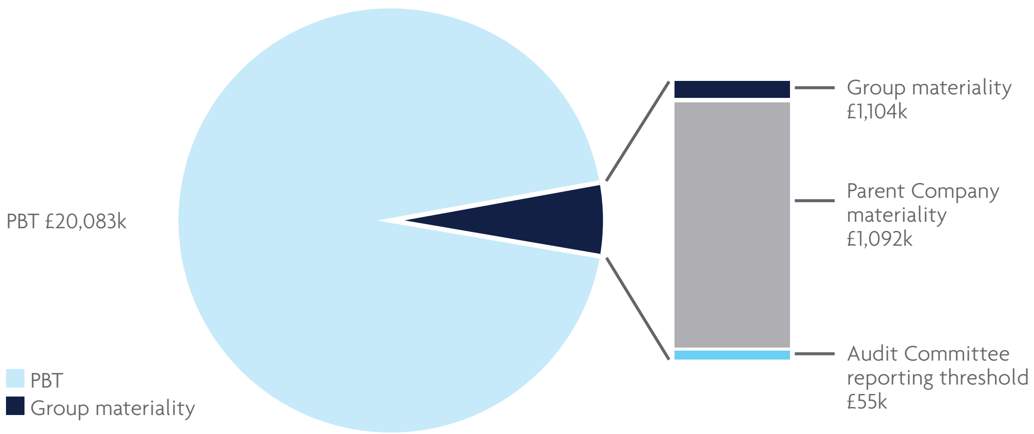
6.1. Materiality

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.

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	£1,104,000 (2018: £812,000)	£1,092,000 (2018: £803,000)
Basis for determining materiality	5.5% (2018: 6%) of profit before tax.	3% (2018: 3%) of net assets, which is capped at 99% (2018: 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 analysts in presenting business performance to users of the financial statements.	The Parent Company acts principally as a holding company; net assets is a key reporting measure.

Independent auditor's report (continued)



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- There have been no significant changes in business environment or activities; and
- There is a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £55,000 (2018: £41,000), 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.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

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. This gave us 100% coverage of the Group's revenue, profit before tax and net assets (2018: 100%). Our audit work in respect of the subsidiary was executed at a component level of materiality of £1,092,000 (2018: £803,000), as set out above. At the Group level, we also tested the consolidation process.

8. OTHER INFORMATION

We have nothing to report in respect of these matters.

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.

9. 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.

10. 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

11. 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 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.

12. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

12.1. Adequacy of explanations received and accounting records

We have nothing to report in respect of these matters.

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.

12.2. Directors' remuneration

We have nothing to report in respect of this matter.

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

13. 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
London, United Kingdom

9 March 2020

Group statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £'000	2018 (Restated*) £'000
Continuing operations:			
Revenue		**160,213**	143,025
Cost of sales	5,6	**(58,852)**	(54,781)
Gross profit	6	**101,361**	88,244
Other direct expenses		**(60,842)**	(58,736)
Administrative expenses		**(18,031)**	(13,272)
Operating profit		**22,488**	16,236
Investment revenues	5,10	**—**	3
Financing costs	11	**(2,405)**	(2,468)
Profit before taxation	7	**20,083**	13,771
Tax charge on profit	12	**(3,393)**	(2,818)
Profit for the financial year and total comprehensive income		**16,690**	10,953

		2019 Pence	2018 Pence
Earnings per share from continuing operations			
Basic	13	**43.88**	29.68
Diluted	13	**43.80**	29.58

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 16 as set out in note 35.

Group statement of changes in equity

For the year ended 31 December 2019

	Note	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018 (as previously stated)		1,872	26,641	(35)	71,223	99,701
Adjustment arising from the adoption of IFRS 16	35	—	—	—	(3,297)	(3,297)
Adjusted balance at 1 January 2018		1,872	26,641	(35)	67,926	96,404
Profit for the year*		—	—	—	10,953	10,953
Total comprehensive income		—	—	—	10,953	10,953
Issue of share capital	27	11	511	—	—	522
Share option movement	28	—	—	—	(72)	(72)
Dividends paid	14	—	—	—	(3,986)	(3,986)
At 31 December 2018		**1,883**	**27,152**	**(35)**	**74,821**	**103,821**
At 1 January 2019		**1,883**	**27,152**	**(35)**	**74,821**	**103,821**
Profit for the year		**—**	**—**	**—**	**16,690**	**16,690**
Total comprehensive income		**—**	**—**	**—**	**16,690**	**16,690**
Issue of share capital	27	**104**	**6,026**	**—**	**—**	**6,130**
Share option movement	28	**—**	**—**	**—**	**328**	**328**
Dividends	14	**—**	**—**	**—**	**(4,363)**	**(4,363)**
At 31 December 2019		**1,987**	**33,178**	**(35)**	**87,476**	**122,606**

*Certain comparative information has been restated as a result of the initial application of IFRS 16 as set out in note 35.

Group balance sheet

As at 31 December 2019

	Note	**31 December 2019 £'000**	31 December 2018 (Restated*) £'000	1 January 2018 (Restated*) £'000
Non-current assets				
Goodwill	15	**19,580**	17,643	17,643
Other intangible assets	16	**3,889**	343	331
Property, plant and equipment	17	**7,739**	6,032	6,381
Right-of-use assets	17	**21,147**	20,159	23,073
Deferred tax assets	24	**2,180**	1,683	1,988
		54,535	45,860	49,416
Current assets				
Inventories	19	**29,157**	29,262	34,102
Trade and other receivables	20	**90,606**	73,379	63,089
Other current assets	20	**714**	877	665
Cash and bank balances	21	**12,003**	11,414	8,676
		132,480	114,932	106,532
Total assets		**187,015**	160,792	155,948
Current liabilities				
Trade and other payables	22	**(10,578)**	(6,015)	(8,362)
Lease liabilities	22	**(253)**	(249)	(237)
Current tax liabilities		**(2,066)**	(842)	(1,033)
		(12,897)	(7,106)	(9,632)
Net current assets		**119,583**	107,826	96,900
Non-current liabilities				
Borrowings	23	**(25,715)**	(24,888)	(21,810)
Lease liabilities	22	**(24,307)**	(23,724)	(26,789)
Long term provisions	25	**(1,490)**	(1,253)	(1,313)
		(51,512)	(49,865)	(49,912)
Total liabilities		**(64,409)**	(56,971)	(59,544)
Net assets		**122,606**	103,821	96,404
Equity				
Share capital	27	**1,987**	1,883	1,872
Share premium account		**33,179**	27,152	26,641
Employee Benefit Trust shares reserve		**(35)**	(35)	(35)
Retained earnings		**87,475**	74,821	67,926
Total equity attributable to equity holders		**122,606**	103,821	96,404

*Certain comparative information has been restated as a result of the initial application of IFRS 16 as set out in note 35.

The financial statements of H&T Group Plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 9 March 2020.

They were signed on its behalf by:

J G Nichols
Chief Executive

Group cash flow statement

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000 (Restated*)
Net cash generated from operating activities	29	**25,829**	7,182
Investing activities			
Interest received		**—**	3
Purchases of intangible assets		**(9)**	—
Purchases of property, plant and equipment		**(3,316)**	(2,102)
Acquisition of trade and assets of businesses	30	**(18,740)**	(575)
Acquisition of Right-of-use assets		**(5,592)**	(1,275)
Net cash used in investing activities		**(27,657)**	(3,949)
Financing activities			
Dividends paid	14	**(4,363)**	(3,986)
Increase in borrowings		**1,000**	3,000
Debt restructuring costs		**(350)**	(31)
Proceeds on issue of shares		**6,130**	522
Net cash generated/(used in) from financing activities		**2,417**	(495)
Net increase in cash and cash equivalents		**589**	2,738
Cash and cash equivalents at beginning of the year		**11,414**	8,676
Cash and cash equivalents at end of the year		**12,003**	11,414

*Certain comparative information has been restated as a result of the initial application of IFRS 16 as set out in note 35.

Notes to the consolidated financial statements
For the year ended 31 December 2019

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 25.

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 a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to IAS 28	Prepayment Features with Negative Compensation
Amendments to IAS 19	Employee Benefits Plan Amendment, Curtailment or Settlement
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs: 2015-17 Cycle	Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

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 IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

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.

Amendments to IFRS 3 Definition of a business
The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 Definition of material
The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards
Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Impact of initial application of IFRS 16 Leases
In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the full retrospective approach, with restatement of the comparative information.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

(c) Financial impact of the initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

	31 December 2019 £'000	31 December 2018 £'000
Impact on profit or loss		
Increase in depreciation of right-of-use asset	**(4,604)**	(4,189)
Increase in finance costs	**(1,524)**	(1,701)
Decrease in other operating expenses	**6,253**	6,126
Increase in profit for the year	**125**	236

	As previously reported £'000	**IFRS 16 adjustments £'000**	**As restated £'000**
Impact on assets, liabilities and equity as at 1 January 2018			
Deferred tax assets	1,313	675	1,988
Right-of-use assets	—	23,073	23,073
Trade and other receivables	64,478	(1,389)	63,089
Net impact on total assets	133,589	22,359	155,948
Current lease liabilities	—	(237)	(237)
Non-current lease liabilities	—	(26,789)	(26,789)
Trade and other payables	(9,732)	1,370	(8,362)
Net impact on total liabilities	(33,888)	(25,656)	(59,544)
Retained earnings	71,223	(3,297)	67,926

(c) Financial impact of the initial application of IFRS 16 (continued)

	As previously reported £'000	IFRS 16 adjustments £'000	As restated £'000
Impact on assets, liabilities and equity as at 31 December 2018			
Deferred tax assets	1,075	608	1,683
Right-of-use assets	—	20,159	20,159
Trade and other receivables	74,670	(1,291)	73,379
Net impact on total assets	141,316	19,476	160,792
Current lease liabilities	—	(249)	(249)
Non-current lease liabilities	—	(23,724)	(23,724)
Current tax liability	(797)	(45)	(842)
Trade and other payables	(7,384)	1,369	(6,015)
Net impact on total liabilities	(34,322)	(22,649)	(56,971)
Retained earnings	77,994	(3,173)	74,821

For tax purposes the Group receives tax deductions in respect of the right-of-use assets and the lease liabilities in a manner consistent with the accounting treatment.

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group.

Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

The adoption of IFRS 16 did not have an impact on net cash flows. The impact of the application of IFRS 16 on basic and diluted earnings per share is disclosed in note 13.

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 requirements of 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, or trade and assets previously operated through either sole partnership in limited companies with no audited 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.

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	5 to 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.

Impairment of goodwill and other intangibles (continued)
There was no impairment loss recorded in the current year (2018: £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 2019. For impairment review purposes, we have used conservative growth assumptions after 2019, 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 9% (2018: 11%).

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 2019 and 2018.

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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

At interception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identifier asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	2019 £'000	2018 (Restated) £'000
Operating profit	**22,488**	16,236
(i) Depreciation of the right-of-use assets	**4,604**	4,189
(ii) Depreciation and amortisation – other	**2,862**	2,482
EBITDA	**29,954**	22,907

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 2019 is £627,000 (2018: £479,000).

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.

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 2019, the pawnbroking loss allowance is £10,142,000 (2018: £10,366,000).

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

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

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 2019 or 2018. The sensitivity of the pledge accrual to reasonable changes in the redemption rate is set out in note 26.

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 2019, the personal loan impairment provision was £10,656,000 (2018: £15,515,000).

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

	2019 £'000	2018 (Restated) £'000
An analysis of the Group's revenue is as follows:		
Sales of goods		
Gold purchasing, retail, pawnbroking scrap	**80,689**	73,142
Interest/commission earned		
Pawnbroking, cheque cashing and other financial services	**79,524**	69,883
Revenue	**160,213**	143,025
Investment revenues	**—**	3
Total Group revenue	**160,213**	143,028

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

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

	2019 £'000	2018 (Restated) £'000
Income		
Interest earned on financial assets not designated at fair value	**58,252**	53,023
Fees earned on financial assets not designated at fair value	**8,680**	6,064

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 of the Group's inventory assets 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 12 to 15.

Finance

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

6. OPERATING SEGMENTS (CONTINUED)

Segment information about these businesses is presented below:

2019 Revenue	**Pawnbroking £'000**	**Gold purchasing £'000**	**Retail £'000**	**Pawnbroking scrap £'000**	**Personal loans £'000**	**Other services £'000**	**Total £'000**
External revenue	49,102	24,229	41,516	14,944	21,459	8,963	160,213
Total revenue	49,102	24,229	41,516	14,944	21,459	8,963	160,213
Gross profit	49,102	5,736	13,639	2,462	21,459	8,963	101,361
Impairment	(10,142)	—	—	—	(10,656)	—	(20,798)
Segment result	38,960	5,736	13,639	2,462	10,803	8,963	80,563
Other direct expenses excluding impairment							(40,044)
Administrative expenses							(18,031)
Operating profit							22,488
Interest receivable							—
Financing costs							(2,405)
Profit before taxation							20,083
Tax charge on profit							(3,393)
Profit for the financial year and total comprehensive income							16,690

2018 (Restated) Revenue	Pawnbroking (Restated) £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans (Restated) £'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							(32,855)
Administrative expenses							(13,272)
Operating profit							16,236
Investment revenues							3
Financing costs							(2,468)
Profit before taxation							13,771
Tax charge on profit							(2,818)
Profit for the financial year and total comprehensive income							10,953

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.

2019	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 (*)							15,716	15,716
Depreciation and amortisation (*)							7,467	7,467
Balance sheet								
Assets								
Segment assets	72,199	1,414	27,391	1,067	16,628	—		118,699
Unallocated corporate assets							45,133	45,133
Consolidated total assets								187,015
Liabilities								
Segment liabilities	—	—	(657)	—	—	(209)		(866)
Unallocated corporate liabilities							(63,543)	(63,543)
Consolidated total liabilities								(64,409)

2018 (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 (*)							3,554	3,554
Depreciation and amortisation (*)							6,671	6,671
Balance sheet								
Assets								
Segment assets	51,991	720	28,876	543	20,491	—		102,621
Unallocated corporate assets							47,946	47,946
Consolidated total assets								160,792
Liabilities								
Segment liabilities	—	—	(647)	—	—	(33)		(680)
Unallocated corporate liabilities							(56,291)	(56,291)
Consolidated total liabilities								(56,971)

(*) 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.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

6. OPERATING SEGMENTS (CONTINUED)

Geographical segments
The Group's revenue from external customers by geographical location are detailed below:

	2019 £'000	2018 £'000
United Kingdom	**158,582**	141,273
Other	**1,631**	1,755
	160,213	143,028

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 £36,681,000 (2018: £32,565,000), which makes more than 10% of the total revenue. These customers are bullion houses involved in the processing of the Group's scrap gold.

7. PROFIT BEFORE TAXATION

	2019 £'000	2018 (Restated) £'000
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment reported within:		
– Other direct expenses	**1,903**	2,000
– Administrative expenses	**368**	332
Depreciation of right of use assets	**4,604**	4,189
Amortisation of intangible assets (reported within other direct expenses)	**591**	150
Loss on disposal of property, plant and equipment	**70**	133
Cost of inventories recognised as expense	**58,985**	54,884
Write (ups)/downs of inventories recognised as an (income)/expense	**(134)**	(102)
Staff costs (see note 9)	**32,475**	26,172
Impairment loss recognised on pawnbroking financial assets	**10,142**	10,366
Impairment loss recognised on personal loans financial assets	**10,656**	15,495

8. AUDITOR'S REMUNERATION

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

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**78**	54
Fees payable to the Company's auditor for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	**78**	54
Total audit fees	**156**	108
– Tax services	**13**	13
– Services related to corporate finance transactions	**165**	—
Total non-audit fees	**178**	13

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 4 (2018: 5) non-executive directors received payments for services rendered to the H&T Group Plc group. Their emoluments are included in the analysis below:

	2019 £'000	2018 £'000
Directors' emoluments		
Aggregate emoluments	**1,052**	705
Gain on exercise of share options	**181**	89
Company pension contributions to money purchase schemes	**34**	45
	1,267	839

All executive Directors during the year (2018: all) participated in Harvey & Thompson Limited's money purchase pension scheme. In addition, £127,000 (2018: 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. Two (2018: One) Director exercised options over shares in the Company in the year. Two (2018: None) of the Directors were granted shares under the long-term incentive scheme.

	2019 £'000	2018 £'000
Highest paid Director		
Aggregate emoluments	**655**	305
Gain on exercise of share options	**106**	—
Company pension contributions to money purchase scheme	**26**	26

In addition, £97,000 (2018: 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.

	2019 No.	2018 No.
Monthly average number of persons employed (including Directors)		
Branches	**1,145**	996
Administration	**171**	159
	1,316	1,155

	2019 £'000	2018 £'000
Staff costs during the year (including Directors)		
Wages and salaries	**28,703**	23,576
Share options expense	**266**	—
Social security costs	**2,879**	2,117
Other pension costs	**627**	479
	32,475	26,172

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 (2018: one).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

10. INVESTMENT REVENUES

	2019 £'000	2018 £'000
Interest revenue		
Bank deposits	**—**	3

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

	2019 £'000	2018 £'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.

11. FINANCING COSTS

	2019 £'000	2018 £'000
Interest on bank loans	**693**	656
Other interest	**1**	1
Interest expense on the lease liability	**1,524**	1,702
Amortisation of debt issue costs	**187**	109
Total interest expense	**2,405**	2,468

12. TAX CHARGE ON PROFIT

(a) Tax on profit on ordinary activities

	2019 £'000	2018 (Restated) £'000
Current tax		
United Kingdom corporation tax charge at 19% (2018: 19%) based on the profit for the year	**3,634**	2,678
Adjustments in respect of prior years	**195**	(94)
Total current tax	**3,829**	2,584
Deferred tax		
Timing differences, origination and reversal	**262**	201
Adjustments in respect of prior years	**(698)**	33
Total deferred tax (note 24)	**(436)**	234
Tax charge on profit	**3,393**	2,818

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than that resulting from applying a standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 (Restated) £'000
Profit before taxation	**20,083**	13,771
Tax charge on profit at standard rate	**3,816**	2,616
Effects of:		
Disallowed expenses and non-taxable income	**150**	11
Non-qualifying depreciation	**(80)**	115
Movement in short-term timing differences	**10**	136
Adjustments to tax charge in respect of prior years	**(503)**	(60)
Tax charge on profit	**3,393**	2,818

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 released from equity in the current period was £61,000 (2018: taken to £72,000).

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 2019			Year ended 31 December 2018 (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	**16,690**	**38,039,328**	**43.88**	10,953	36,895,316	29.68
Effect of dilutive securities						
Options and conditional shares	**—**	**68,197**	**(0.08)**	—	126,277	(0.10)
Earnings per share: diluted	**16,690**	**38,107,525**	**43.80**	10,953	37,021,593	29.58

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

14. DIVIDENDS

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 6.6 pence (2017: 6.2p) per share	**2,497**	2,329
Interim dividend for the year ended 31 December 2019 of 4.7 pence (2018: 4.4p) per share	**1,866**	1,657
	4,363	3,986
Amounts proposed and not recognised:		
Proposed final dividend for the year ended 31 December 2019 of 7.0p (2018: 6.6p) per share	**2,780**	2,485

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 2018 and 1 January 2019	14,133	3,510	17,643
Additions	—	1,937	1,937
At 31 December 2019	14,133	5,447	19,580

There are no recognised impairment losses at 31 December 2019.

Goodwill acquired in business combinations is allocated as follows:

	2019 £'000	2018 £'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
Stores acquired in 2019	**1,937**	—
	19,580	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, test 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 2018	1,599	2,489	4,088
Additions	—	162	162
Disposals	(11)	—	(11)
At 1 January 2019	1,588	2,651	4,239
Additions	—	3,900	3,900
Disposals	(1,513)	—	(1,513)
Reclassification	920	—	920
At 31 December 2019	995	6,551	7,546
Amortisation			
At 1 January 2018	1,598	2,159	3,757
Charge for the year	1	149	150
Disposals	(11)	—	(11)
At 1 January 2019	1,588	2,308	3,896
Charge for the year	—	591	591
Disposals	(1,513)	—	(1,513)
Reclassification	683	—	683
At 31 December 2019	758	2,899	3,657
Carrying amount			
At 31 December 2019	237	3,652	3,889
At 31 December 2018	—	343	343

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 industry from existing customers at the acquisition date of the relevant assets.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

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 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 1 January 2019	25,942	247	49	6,188	5,065	37,491
Additions	2,105	171	29	1,294	686	4,285
Disposals	(617)	(1)	(12)	(4,075)	(445)	(5,150)
Reclassification	—	—	—	(920)	—	(920)
At 31 December 2019	27,430	417	66	2,487	5,306	35,706
Accumulated depreciation and impairment						
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 1 January 2019	22,084	206	24	5,008	4,137	31,459
Charge for the year	1,305	23	13	589	341	2,271
Disposals	(603)	—	(12)	(4,022)	(443)	(5,080)
Reclassification	—	—	—	(683)	—	(683)
At 31 December 2019	22,786	229	25	892	4,035	27,967
Carrying amount						
At 31 December 2019	4,644	188	41	1,595	1,271	7,739
At 31 December 2018	3,858	41	25	1,180	928	6,032

Right-of-use assets	£'000
Cost or valuation	
At 1 January 2018 (restated)	47,421
Additions	1,275
At 1 January 2019	48,696
Additions	5,592
At 31 December 2019	54,288
Accumulated depreciation and impairment	
At 1 January 2018	24,348
Charge for the year	4,189
At 1 January 2019	28,537
Charge for the year	4,604
At 31 December 2019	33,141
Carrying amount	
At 31 December 2019	21,147
At 31 December 2018	20,159

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

	2019 £'000	2018 £'000
Retail and scrap inventory	**29,157**	29,262

Of the retail and scrap inventory, 93.9% (2018: 92.10%) 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

	2019 £'000	2018 (Restated) £'000
Trade receivables	**88,906**	72,500
Other receivables	**550**	90
Prepayments and accrued income	**1,150**	789
	90,606	73,379

Trade and other receivables are stated net of impairment.

The pledge loan book of £72.2m (2018: £52.0m) and personal loan book of £16.6m (2018: £20.5m) are included, net of provisions, within the trade receivables balance.

	2019 £'000	2018 £'000
Other current assets		
Other current assets	**714**	877

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

	2019 £'000	2018 £'000
Cash and bank balances	**12,003**	11,414

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.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

22. TRADE AND OTHER PAYABLES

	2019 £'000	2018 (Restated) £'000
Trade payables	**1,976**	1,899
Other taxation and social security costs	**717**	593
Accruals and deferred income	**7,885**	3,523
	10,578	6,015

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2018: 33 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.

Lease liabilities	2019 £'000	2018 (Restated) £'000
Current liabilities	**253**	249
Non-current liabilities	**24,307**	23,724

23. BORROWINGS

	1 January 2019 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2019 £'000
Bank Loan	**25,000**	**1,000**	**—**	26,000
Amortised issue costs	**(112)**	**(350)**	**177**	(285)
Total	**24,888**	**650**	**177**	25,715

As at 31 December 2019 the key terms of the Lloyds Bank plc facility were:

Key Term	**Description**
Total Facility Size	£35m
Termination Date	12 June 2022
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 £188,000 of deferred debt issue costs written off in the period to the Group statement of comprehensive income (2018: £109,000).

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

Undrawn borrowing facilities
At 31 December 2019, the Group had available £9,000,000 (2018: £10,000,000) 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 2019 (restated	522	1,133	28	1,683
Adjustment in respect of prior years	(40)	739	(1)	698
Credit to income	(157)	(172)	67	(262)
Debit to equity	—	—	61	61
As 31 December 2019	325	1,700	155	2,180

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 2019 has been calculated at a rate of 17%.

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.

25. PROVISIONS

	Provision for reinstatement £'000
At 1 January 2018	1,222
Additional provision in the year	31
At 1 January 2019	**1,253**
Additional provision in the year	**279**
Provision utilised in the year	**(42)**
At 31 December 2019	**1,490**

The reinstatement provision represents management's best estimate of the Group's liability to repair and maintain certain of the properties. At the reporting date no demand to enforce the contractual obligations has been made by the related property landlords.

Provisions for onerous leases has been derecognised under IFRS 16.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

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 2019	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Carrying amount total £'000
Financial assets			
Pawnbroking trade receivables	**72,199**	**—**	**72,199**
Other financial services trade receivables	**16,629**	**—**	**16,629**
Other assets	**109**	**—**	**109**
Cash and cash equivalents	**12,003**	**—**	**12,003**
Financial liabilities			
Trade and other payables	**—**	**(9,860)**	**(9,860)**
Borrowings due after more than one year	**—**	**(25,715)**	**(25,715)**
Net financial assets/(liabilities)	**100,940**	**(35,575)**	**65,365**

At 31 December 2018	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Carrying amount total (Restated) £'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	—	(5,421)	(5,421)
Borrowings due after more than one year	—	(24,888)	(24,888)
Net financial assets/(liabilities)	83,937	(30,309)	53,628

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, including 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 significantly 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	13,115	(1,194)	11,921
Increased credit risk	Lifetime ECL – not credit impaired	73,011	(14,144)	58,867
In default	Lifetime ECL – credit impaired	2,274	(863)	1,411
		88,400	**(16,201)**	**72,199**

Included within the above loss allowances are a specific provision totalling £882,000 in respect of those pledge items where their underlying collateral has lower net realisable value than the amount lent.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

26. FINANCIAL INSTRUMENTS (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 £0.1m/(£0.1m). 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 2018	10,891
Net Consolidated Statement of Comprehensive Income charge	918
Written off	(86)
Balance at 31 December 2018	11,723
Net Consolidated Statement of Comprehensive Income charge	4,813
Written off	(335)
Balance at 31 December 2019	16,201

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	17,305	(2,813)	14,492
1 missed payment	Lifetime ECL – not credit impaired	3,537	(1,758)	1,779
2 missed payments	Lifetime ECL – not credit impaired	1,955	(1,598)	357
3 + missed payments	Lifetime ECL – credit impaired	12,840	(12,840)	—
		35,637	**(19,009)**	**16,628**

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 £0.2m/£0.2m).

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

26. FINANCIAL INSTRUMENTS (CONTINUED)

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 £'000
Balance at 1 January 2018	29,595
Net Consolidated Statement of Comprehensive Income charge	31,032
Written off	(15,496)
Balance at 31 December 2018	45,131
Net Consolidated Statement of Comprehensive Income charge	21,290
Written off (balances owed as at 1 January 2019)	(36,773)
Written off (impaired balances during the year)	(10,639)
Balance at 31 December 2019	19,009

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 2018	18
Net Consolidated Statement of Comprehensive Income charge	177
Written off	(172)
Balance at 31 December 2018	23
Net Consolidated Statement of Comprehensive Income charge	288
Written off	(279)
Balance at 31 December 2019	32

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:

	2019 £'000	2018 £'000
Barclays Bank plc	**42**	55
Lloyds Bank plc	**2,018**	3,046
Cash at stores	**9,943**	8,313
	12,003	11,414

Market risk

Pawnbroking trade receivables

The collateral which protects the Group from credit risk on non-redemption of pawn loans is 99% (2018: 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 £255,000/(£254,000) 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 £77,515,000 (2018: £56,356,000). 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 2019, the Group also has available £9,000,000 (2018: £10,000,000) 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 12 June 2019, the Group extended the existing facility with Lloyds Bank plc of £35,000,000 till 12 June 2022. Furthermore, as shown in note 29, 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 2019							
Floating rate borrowings	52	52	210	323	638	26,285	27,560
Trade and other payables	1,976	7,874	—	—	—	—	9,850
Total	2,028	7,926	210	323	638	26,285	37,410

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Interest rate risk

Borrowings

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

Analysis is shown below to demonstrate the sensitivity on profitability of a 1.0% 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 2019		
Finance costs: gain/(loss)	**183**	**(260)**
Total pre-tax impact on profit from gain/(loss)	**183**	**(260)**
Post tax impact on equity gain/(loss)	**148**	**(211)**
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)

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

	2019 £'000	2018 £'000
Issued, authorised and fully paid		
39,736,476 (2018: 37,658,511) ordinary shares of £0.05 each	**1,987**	1,883

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

The Group issued share capital amounting to £104,000 (2018: £11,000) during the year. £94,000 related to the issue of share capital via a new equity placement and £10,000 in relation to share options exercised in the year. Associated share premium of £6,026,000 (2018: £511,000) was created.

Options over shares of the Company are disclosed in note 28. Under these share option arrangements, there are 404,109 (2018: 615,572) 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:

Gearing ratio	2019 £'000	2018 (Restated) £'000
Debt	**26,000**	25,000
Cash and cash equivalents	**(12,003)**	(11,414)
Net debt	**13,997**	13,586
Equity	**122,606**	103,821
Net debt to equity ratio	**11.4%**	13.1%

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

28. SHARE-BASED PAYMENTS

As at 31 December 2019, the Company operated three share award schemes (Approved Share Options Scheme, Unapproved Share Option Scheme and Performance Share Plan 'PSP'). There was a P&L charge of £267,000 for the year in respect of the PSP scheme.

Awards that can be granted under the three schemes total a maximum of 3,973,648 shares (2018: 3,765,851 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 2010	April 2010	245.5	22,069	19/04/2013	18/04/2020
ASOS 2011	April 2011	298.5	57,005	18/04/2014	17/04/2021
ASOS 2012	March 2012	297.0	60,370	29/03/2015	28/03/2022
ASOS 2013	March 2013	292.3	69,702	28/03/2016	27/03/2023

The Group did not issue any share options during 2014, 2015, 2016, 2017, 2018 and 2019.

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

	Number of share options	**2019 Weighted average exercise price (in pence)**	Number of share options	2018 Weighted average exercise price (in pence)
Outstanding at beginning of the year	**254,291**	**282.9**	375,783	275.6
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**(11,665)**	**289.6**	(2,667)	295.7
Exercised during the year	**(33,480)**	**234.0**	(118,825)	259.4
Outstanding at the end of the year	**209,146**	**290.4**	254,291	282.9
Exercisable at the end of the year	**209,146**	**290.4**	254,291	282.9

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 2010	April 2010	245.5	161,406	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	8,933	29/03/2015	28/03/2022
USOS 2013	March 2013	292.3	16,485	28/03/2016	27/03/2023

The Group did not issue any share options during 2014, 2015, 2016, 2017, 2018 and 2019.

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

	Number of share options	**2019 Weighted average exercise price (in pence)**	Number of share options	2018 Weighted average exercise price (in pence)
Outstanding at beginning of the year	**361,281**	**229.3**	463,207	225.2
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**(5,643)**	**292.5**	—	—
Exercised during the year	**(160,675)**	**197.2**	(101,926)	210.7
Outstanding at the end of the year	**194,963**	**254.0**	361,281	229.3
Exercisable at the end of the year	**194,963**	**254.0**	361,281	229.3

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.

2018 PSP scheme

On 28 December 2018 a new PSP scheme was put in place. There are currently 10 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 269,576, including 129,740 for the Executive Directors.

There is a three-year performance period to 31 December 2020 with the shares subject to the PSP awards being released during the following year 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 30.0% and 54.0% and Earnings per Share growth over the same three-year period at between 27.0% and 48.6%; there is a two-year retention period thereafter.

2019 PSP scheme

On 6 September 2019 the second PSP scheme was put in place. There are currently 10 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 198,027, including 91,988 for the Executive Directors.

There is a three-year performance period to 31 December 2021 with the shares subject to the PSP awards being released during the following year 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 64.0% and 88.0% and Earnings per Share growth over the same three-year period at between 27.0% and 48.6%; there is a two-year retention period thereafter.

Early exercise of the conditional shares in respect of both schemes is permitted if a share award holder ceases to be employed by reason of death, injury, disability, retirement or sale of his employing company.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

29. NOTES TO THE CASH FLOW STATEMENT

	2019 £'000	2018 (Restated) £'000
Profit for the year	**16,690**	10,953
Adjustments for:		
Investment revenues	**—**	(3)
Financing costs	**2,405**	2,468
Increase/(decrease) in provisions	**237**	(60)
Income tax expense	**3,393**	2,818
Depreciation of property, plant and equipment	**2,272**	2,333
Depreciation of right-of-use assets	**4,604**	4,189
Amortisation of intangible assets	**591**	150
Share-based payment expense	**266**	—
Loss on disposal of property, plant and equipment	**70**	133
Operating cash flows before movements in working capital	**30,528**	22,981
Decrease in inventories	**105**	4,884
Decrease/(increase) in other current assets	**163**	(212)
Increase in receivables	**(5,500)**	(9,947)
Increase/(decrease) in payables	**5,347**	(5,405)
Cash generated from operations	**30,643**	12,301
Income taxes paid	**(2,604)**	(2,776)
Interest paid on loan facility	**(686)**	(642)
Interest paid on lease liability	**(1,524)**	(1,701)
Net cash generated from operating activities	**25,829**	7,182

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.

30. ACQUISITIONS

The following acquisitions were made during the year:

	Acq 1 £'000	Acq 2 £'000	Total 2019 £'000	Total 2018 £'000
Assets				
Goodwill	1,937	—	**1,937**	—
Intangible assets	2,056	1,835	**3,891**	163
Property, plant and equipment	1,185	—	**1,185**	25
Inventory	—	—	**—**	44
Trade receivables	4,821	6,906	**11,727**	343
Cash	1,012	—	**1,012**	280
Total assets acquired	11,011	8,741	**19,752**	855
Total consideration				
Cash	11,011	8,741	**19,752**	855
Net cash outflow arising on acquisition				
Cash consideration	11,011	8,741	**19,752**	855
Less: cash balances acquired	(1,012)	—	**(1,012)**	(280)
Total assets acquired	9,999	8,741	**18,740**	575

Acquisition 1
On 1 July 2019, the Company acquired trade and assets from TM Sutton Ltd (t/a The Money Shop) for total consideration of £11.0m. The fair value of financial assets includes trade receivables measured in accordance with IFRS 9 and intangible assets which have been valued by the Group based on discounted cash flow. Of the consideration paid, £1.6m remains in escrow pending certain performance conditions.

Acquisition 2
On 7 October 2019, the Company acquired trade and assets from Speedloan Finance Ltd (t/a Albemarle & Bond or A&B) for total consideration of £8.7m. The fair value of financial assets includes trade receivables measured in accordance with IFRS 9 and intangible assets which have been valued by the Group based on discounted cash flow. Other than the consideration paid, there are no material cash flows relating to the acquisition.

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':

	2019 £'000	2018 £'000
Short-term employee benefits	**1,879**	1,098
Pension contributions	**63**	56
Share-based payments	**181**	128
	2,123	1,282

32. CAPITAL COMMITMENTS

There is no significant capital expenditure authorised and contracted for but not provided in the accounts (2018: £nil).

33. CONTINGENT LIABILITIES

As set out in our market release of 18 November 2019, we will be working with a skilled person appointed in conjunction with the FCA on a past-book review of our lending since April 2014 within the High Cost Short Term unsecured lending (HCSTC) market. A skilled person is in the course of being appointed. At this stage, under the criteria in IAS 37 Provisions, contingent liabilities and contingent assets it is possible that a liability may exist but H&T is unable to estimate the quantum of any such possible liability.

34. EVENTS AFTER THE BALANCE SHEET DATE

The Directors have proposed a final dividend for the year ended 31 December 2019 of 7.0p (2018: 6.6p) (note 14).

35. EXPLANATION OF TRANSITION TO IFRS 16 LEASES

On transition to IFRS 16, the Group previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases, except short-term – these leases are on the Balance Sheet.

The Group decided to apply the recognition exemption to short-term leases and leases of IT equipment.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

35. EXPLANATION OF TRANSITION TO IFRS 16 LEASES (CONTINUED)

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior year.

Impact on profit or loss, other comprehensive income and total comprehensive income as at 31 December 2018	**£'000**
Decrease in administrative expenses	**(6,126)**
Increase in depreciation of right-of-use assets	**4,189**
Increase in interest on lease liability	**1,701**
Increase in tax charged on profit	**112**
Increase in profit for the year	**124**

Impact on assets, liabilities and equity as at 1 January 2018	**£'000**
Decrease in trade and other receivables	**(1,389)**
Increase in trade and other payables	**1,370**
Increase in lease liabilities	**(27,026)**
Increase in right-of-use assets	**23,073**
Increase in deferred tax assets	**675**
Total effect on net assets	**(3,297)**
Retained earnings	**(3,297)**

Impact on assets, liabilities and equity as at 31 December 2019	**£'000**
Decrease in trade and other receivables	**(1,342)**
Increase in trade and other payables	**1,143**
Increase in lease liabilities	**(24,560)**
Increase in right-of-use assets	**21,147**
Increase in deferred tax assets	**540**
Decrease in tax liabilities	**(68)**
Total effect on net assets	**(3,140)**
Retained earnings	**(3,140)**

The application of IFRS 16 has had no impact on the cash flows of the Group.

Parent Company balance sheet
For the year ended 31 December 2019

	Note	**2019 £'000**	2018 £'000
Non-current assets			
Investments	C	**44,853**	44,586
		44,853	44,586
Current assets			
Receivables		**75**	59
Cash at bank and in hand	D	**3**	2
		78	61
Liabilities: amounts falling due within one year	E	**(7,861)**	(9,439)
Net current assets		**(7,783)**	(9,378)
Total assets less current liabilities		**37,070**	35,208
Net assets		**37,070**	35,208
Capital and reserves			
Called up share capital	F	**1,987**	1,883
Share premium account		**33,179**	27,153
Employee Benefit Trust shares reserve		**(35)**	(35)
Share option reserve		**1,762**	1,495
Profit and loss account		**177**	4,712
Total shareholders' funds		**37,070**	35,208

The financial statements of H&T Group Plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 9 March 2020. Signed on behalf of the Board of Directors by:

J G Nichols
Chief Executive

Finance

Parent Company statement of changes in equity

2019 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**	**2019 Total £'000**
At 1 January		**1,883**	**27,153**	**(35)**	**1,495**	**4,712**	**35,208**
Loss for the financial year		**—**	**—**	**—**	**—**	**(172)**	**(172)**
Dividend paid		**—**	**—**	**—**	**—**	**(4,363)**	**(4,363)**
Issue of share capital	F	**104**	**6,026**	**—**	**—**	**—**	**6,130**
Share options	G	**—**	**—**	**—**	**267**	**—**	**267**
At 31 December		**1,987**	**33,179**	**(35)**	**1,762**	**177**	**37,070**

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

Notes to the Parent Company financial statements
For the year ended 31 December 2019

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 25. The nature of the Company's operations and its principal activities are set out in the business overview on pages 1-9.

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.

Notes to the Parent Company financial statements (continued)

For the year ended 31 December 2019

A. ACCOUNTING POLICIES (CONTINUED)

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.

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 £172,000 in 2019 (2018: loss of £116,000).

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 (2018: £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 2019	44,586
Additions	267
At 1 January 2019 and 31 December 2019	44,853

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.

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

	2019 £'000	2018 £'000
Amounts owed by subsidiary companies	**35**	35
Prepayments and accrued income	**40**	24
	75	59

E. LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	**484**	404
Amounts owed to subsidiary companies	**7,347**	9,008
Accruals and deferred income	**30**	27
	7,861	9,439

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 (note 14).

G. SHARE OPTION RESERVE

Refer to note 28 of the Group financial statements of H&T Group Plc for details of the performance share plan scheme.

Store directory

● **NEW STORES 2019**

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

ASHTON UNDER LYNE ●
24 Warrington Street, OL6 6AS
Tel: 0161 343 6982

AYR
114 High Street, KA7 1PQ
Tel: 01292 619 867

BARKING
27 East Street, IG11 8ER
Tel: 020 8594 6100

BARKINGSIDE ●
96 High Street, IG6 2DR
Tel: 020 8551 0745

BARNSLEY ●
35 Peel Street, S70 2RJ
Tel: 01226 296 138

BASILDON
1a Market Pavement, SS14 1DD
Tel: 01268 281 223

BEDFORD ●
6 St Loyes Street,
MK40 1EP
Tel: 01234358 017

BEDMINSTER
84 East Street, Bedminster,
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 ●
240 Hawthorn Road, Kingstanding,
B44 8PP
Tel: 0121 350 8826

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

BIRMINGHAM ●
1141a Warwick Road, Acocks Green, B27 6RA
Tel: 0121 706 8277

BIRMINGHAM ●
Unit 8, Fox and Goose Shopping Centre,
Ward End, B8 2EP
Tel: 0121 783 7566

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

BLACKPOOL
97-99 Central Drive, FY1 5EE
Tel: 01253 622 039

BOLTON ●
Unit 2, Commercial Union House,
Grt Moor St, BL1 1NH
Tel: 01204 396 237

BOLTON
13 Newport Street, BL1 1NE
Tel: 01204 385 530

BOOTLE
Unit 115, Strand Shopping Centre, L20 4SU
Tel: 0151 933 7438

BOREHAMWOOD ●
1 Furzehill Parade, Shenley Road, WD6 1DX
Tel: 020 8953 8712

BOW
575 Roman Road, E3 5EL
Tel: 020 8983 9553

BRADFORD
26 James Street, BD1 3PZ
Tel: 01274 390 675

BRIDGWATER ●
28 Cornhill, Bridgwater, TA6 3BY
Tel: 01278 429 670

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

BURNLEY ●
42 Manchester Road, BB11 1HJ
Tel: 01282 424 909

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

BURNT OAK ●
136 Burnt Oak, Broadway, HA8 0BB
Tel: 020 8952 9694

BURTON ON TRENT ●
209b Station Street, DE14 1AN
Tel: 01283 742 862

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

CAMBRIDGE ●
76 Regent Street, CB2 1DP
Tel: 01223 314 953

CANNING TOWN ●
116 Barking Road, E16 1EN
Tel: 020 7476 0090

CANTERBURY ●
2-3 Burgate Lane, CT1 2HH
Tel: 01227 457 765

CARDIFF ●
5 St Martins Row, CF24 3RP
Tel: 02920 465 954

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

CLACTON ON SEA •
5 Station Rd, CO15 1TD
Tel: 01255 473 986

CLAPHAM
9 Northcote Road, SW11 1NG
Tel: 020 7228 3807

CLAPHAM •
136 Clapham High St, SW4 7UH
Tel: 020 7720 2563

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

CUMBERNAULD •
9 Antoine Shopping Centre, G67 1JW
Tel: 01236 722 566

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

DOVER •
3 Market Square, CT16 1LZ
Tel: 01304 241 519

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

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

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

DUNSTABLE •
38 High Street North, LU6 1LA
Tel: 01582 666 163

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

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

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

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

EDGWARE •
125-127 Station Road, HA8 7JG
Tel: 020 8951 0862

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

Store directory (continued)

● **NEW STORES 2019**

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

ENFIELD ●
244 Hertford Road, EN3 5BL
Tel: 020 8443 2479

ERDINGTON ●
140 High Street, B23 6RS
Tel: 0121 384 8923

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

GLASGOW ●
32-34 Kilmarnock Road, Shawlands, G41 3NH
Tel: 0141 649 9697

GLASGOW ●
403 Victoria Road, Queen's Park, G42 8RW
Tel: 0141 423 2697

GOLDERS GREEN ●
16 Golders Green Road, NW11 9NN
Tel: 0208 458 8062

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

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

GRAYS ●
23 High Street, RM17 6NB
Tel: 01375 379 989

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

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

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

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

HALIFAX ●
21 Westgate, HX1 1DJ
Tel: 01422 360 452

HAMILTON ●
34-36 Quarry Street, ML3 7AR
Tel: 01698 286 507

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

HARROW ●
296 Station Rd, HA1 2DX
Tel: 020 8861 2654

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

HATFIELD ●
40 Town Centre, AL10 0JJ
Tel: 01707 278 377

HAYES ●
9 Coldharbour Lane, UB3 3EA
Tel: 020 8561 1679

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

HEMEL HEMPSTEAD ●
180 Marlowes, HP1 1BH
Tel: 01442 269 437

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

HUDDERSFIELD ●
30 John William Street, HD1 1BG
Tel: 01484 424 117

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

IPSWICH ●
17 High Street, IP1 3JZ
Tel: 01473 221 485

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

KIDDERMINSTER ●
20 Bull Ring, DY10 2AZ
Tel: 01562 742 178

KILBURN ●
9 Kilburn Bridge, NW6 6HT
Tel: 020 7624 3058

KILBURN ●
63 Kilburn High Road, NW6 5SA
Tel: 020 7625 3770

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

LEEDS ●
243a Roundhay, Harehills, LS8 4HS
Tel: 01132 407 084

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 ●
51 Derby Road, Huyton, L36 9UQ
Tel: 0151 480 7890

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

MAIDSTONE ●
2 Palace Avenue, ME15 6NF
Tel: 01622 681 939

MANCHESTER ●
894 Stockport Road, Levenshulme, M19 3AD
Tel: 0161 248 7973

MANCHESTER ●
Unit 6, 543 Stockport Road, Longsight,
M12 4JH
Tel: 0161 257 3002

MANSFIELD ●
5 Market Place, NG18 1HU
Tel: 01623 631 364

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

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

MILTON KEYNES ●
41 Queensway, Bletchley, MK2 2DR
Tel: 01908 365 998

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

NEWCASTLE ●
138 West Road, NE4 9QA
Tel: 0191 272 5478

NEWPORT ●
57 Commercial Street, NP20 1LQ
Tel: 01633 257 663

Store directory (continued)

● **NEW STORES 2019**

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

NORTHAMPTON ●
1-2 Regent Square, NN1 2NQ
Tel: 01604 627 703

NORWICH ●
8a Castle Meadow, NR1 3DE
Tel: 01603 622 266

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

OXFORD ●
164 Cowley Road, OX4 1UE
Tel: 01865 245 602

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 ●
383 Lincoln Road, PE1 2PF
Tel: 01733 894 951

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

RAMSGATE ●
28 King Street, CT11 8NT
Tel: 01843 580 728

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

ROCHDALE ●
1 Baillie Street, OL16 1JJ
Tel: 01706 526 169

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

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

ROSE HILL ●
49 The Market, Sutton, SM1 3HE
Tel: 020 8644 3924

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

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

RUNCORN
119 River Walk Shopping City, 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

SHEFFIELD ●
27 King Street, S3 8LF
Tel: 01142 723 825

SHEPHERDS BUSH ●
27 Uxbridge Road, W12 8LH
Tel: 020 8811 1750

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

SITTINGBOURNE ●
28A High Street, ME10 4PD
Tel: 01795 430 621

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

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

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

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

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 ●
122 The Grove, Stratford, E15 1NS
Tel: 020 8534 4537

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, Brody Street Mall, Stretford 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

WALTHAM CROSS ●
153 High Street, EN8 7AP
Tel: 01992 620 799

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

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

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

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

WELLINGBOROUGH ●
28 Silver Street, NN8 1AY
Tel: 01933 226 450

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

WIDNES ●
85 Widnes Road, WA8 6BJ
Tel: 0151 420 7007

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

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

WILLESDEN ●
1d Walm Lane, NW2 5SJ
Tel: 020 8459 8628

WISBECH ●
13 Market Place, PE13 1DT
Tel: 01945 465 273

WOKING ●
5 Guildford Road, GU22 7PX
Tel: 01483 730 744

Store directory (continued)

● **NEW STORES 2019**

WOLVERHAMPTON
10a Cleveland Street, WV1 3HH
Tel: 01902 425 648

WOLVERHAMPTON ●
104 Darlington Street, WV1 4EX
Tel: 01902 425 667

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

WOOD GREEN
12 Cheapside, N22 6HH
Tel: 020 8889 9484

WOOLWICH ●
16 Beresford Square, SE18 6AY
Tel: 020 8316 6949

WOOLWICH ●
2 Greens End, SE18 6HX
Tel: 020 8854 6413

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

YORK ●
3 Odsal House, Front Street, Acomb, YO24 3BL
Tel: 01904 790 431

BOND STREET OFFICE
H&T Finance, 2nd Floor, Standbrook House,
2a Old Bond Street, W1S 4PD
Tel: 0800 121 4121

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