

Significant growth from a wider customer base



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

John Nichols
Chief Executive



Cautionary Statement

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

Highlights 2017

Financial overview

£63.8m

GROSS PROFIT (2016: £57.1m)

£17.3m

EBITDA (2016: £13.1m)
 (see note 3 page 47 for the definition of EBITDA)

£14.1m

PROFIT BEFORE TAX (2016: £9.7m)

30.94p

DILUTED EPS (2016: 20.88p)

10.5p

DIVIDEND PER SHARE (2016: 9.2p)

Key performance indicators

Gross pledge book (£m)

£46.1m

Up 11.6% (2016: £41.3m)



Redemption of annual lending (%)

83.6%

(2016: 84.3%)*



Personal loan book (£m)

£18.3m

Up 94.7% (2016: £9.4m)



Personal loan revenue less impairment (£m)

£5.7m

Up 62.9% (2016: £3.5m)



Retail gross profits (£m)

£12.9m

Up 15.2% (2016: £11.2m)



Number of stores

181 stores

(2016: 181 stores)



The selection of the KPIs has been revised to take account of the change in relative importance of product type to the Group's overall financial performance and position.

*This is the actual percentage of lending in each year which was redeemed or renewed; the 2017 figure is an estimate based on recent trend and early performance.

Chairman's statement

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

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

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

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

Financial performance

The Group delivered profit after tax of £11.3m (2016: £7.6m) and diluted earnings per share of 30.94 pence (2016: 20.88 pence). Subject to shareholder approval, a final dividend of 6.2 pence per ordinary share (2016: 5.3 pence) will be paid on 1 June 2018 to those shareholders on the register at the close of business on 4 May 2018. This will bring the full year dividend to 10.5 pence per ordinary share (2016: 9.2 pence).

The Group's financial position is strong with growth in the combined personal loan and pawnbroking loan books (net) to £63.8m (31 December 2016: £50.2m). As a result net debt increased to £13.3m at 31 December 2017 (31 December 2016: £5.4m).

At year end the Group had available headroom of £8.0m on its £30m borrowing facilities. I am pleased to report that in March 2018 the facility was increased by £5.0m.

Regulation

H&T is authorised and regulated by the Financial Conduct Authority (FCA) for all consumer credit business. During the year the FCA conducted a consultation on creditworthiness and is expected to publish the results in 2018.

We engaged with the FCA through our trade associations and have analysed the proposals contained within the consultation. The consultation provides helpful guidance on effective creditworthiness assessments and clarifies some of the specific exemptions in relation to pawnbroking. Subject to the final policy statement we do not expect it to have an adverse impact on our business. We fully support the higher standards that the consultation aims to deliver.

Strategy

We are developing our capabilities to address a changing market where we see pressures both on the high street in general and the core product of pawnbroking in particular. We are focussed on maximising the potential from the core services while investing in the development of new products and channels. This approach will allow us to improve profitability in the short term; in the longer term we can access a wider customer base and provide those consumers with products appropriate to their needs.

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

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

Prospects

The overall weakness in sterling following the EU referendum result has continued to benefit the sterling gold price for much of the year; this in turn provides an improvement in the Group's profits while it continues. Demand for our services remains strong and the development in our products and distribution enables us to capture a larger share of the significant alternative credit market.

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

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



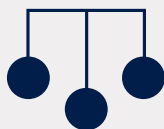
Peter D McNamara
Chairman



Pre-owned
Jewellery & Watches

Our business

Who we are



As at 31 December 2017, H&T was the largest pawnbroking business in the UK by size of pledge book.

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

Our status



H&T's listing on AIM 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 181 at 31 December 2017.

Our market-place



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

Our strategy



“H&T will be the premier provider of alternative credit in the UK through a range of services that help our customers 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
3. Enhance distribution by delivering services in store, online and through mobile devices.

Our customer



Our loan products are often used by people who cannot access mainstream credit. Why? The most common reason is that they may have experienced problems in the past which resulted in missed payment or defaults on their credit file. Almost half of our personal loan customers are aged under 35 and generally have a thin credit file or a low credit score.

Our customers often need money to meet day-to-day expenses and as such they need relatively small sums quickly; this demand can be met very effectively by our in-store products. It is possible to complete a pawnbroking or personal loan in store within 30 minutes.

Customers often compare our rates with larger, well-known, short-term credit brands which is advantageous as we are often considerably cheaper.

Personal service



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

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

Customer profile



Gender split



Pawnbroking	43%
Personal Loans	58%
Buyback	64%



Pawnbroking	57%
Personal Loans	42%
Buyback	36%

Age profile

Pawnbroking		Personal Loans		Buyback	
18-24	6%	18-24	13%	18-24	14%
25-35	25%	25-35	33%	25-35	39%
36-44	23%	36-44	26%	36-44	24%
44-55	26%	44-55	19%	44-55	17%
56+	20%	56+	9%	56+	7%

Customer feedback



Est1897/Retail – “*Really great service from these guys!* Prompt when sending my watch. I made an error with the address and they were able to sort it without hassle. The watch arrived two days after I ordered and it is amazing! Will certainly be telling all of my friends to buy from these guys.”

HandT.co.uk – “*They were so helpful.* One quick phone call to verify some details and the money was in my account within a few hours.”

Online personal loan – “I applied on H&T’s website on Saturday and it was processed and agreed on the following Monday. *I was surprised I was accepted* as my credit rating isn’t great but I still have credit. H&T didn’t just rely on credit scoring alone. Thanks H&T.”

Our products

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



PAWNBROKING

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



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.



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.



BUYBACK

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



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.



CHEQUE CASHING

Cheque cashing is a service that allows customers to get cash for their cheques in a few minutes, rather than banking the cheque. Customers use H&T to speed up the cheque clearance (some building societies can take almost two weeks to clear a cheque) or to avoid banking the cheque into an overdrawn account.



Our development

Multi-channel

Our store estate is still the largest customer acquisition channel for all products. We have streamlined a number of key processes making it easier for both our customers and staff to transact.

We have also made significant progress when developing our omni-channel approach including improvements to all customer journeys; simplifying online to store processes and ensuring all customer touch points are easily accessible regardless of the customers browsing preferences (desktop, tablet or mobile).

Our plan is to capitalise on this by introducing a truly “clicks to bricks” offer during 2018. A customer will be able to apply for any product H&T offers online and complete the transaction in store (or vice versa).

There was significant improvement in the amount of traffic across our websites with both www.handt.co.uk and www.est1897.co.uk experiencing nearly double the traffic than 2016.



Made for mobile

Throughout 2017 we saw a continuation of the trend of customers viewing our websites on a mobile device. In response

to this, we launched a revised version of our retail website along with a new mobile optimised online loans journey.



Customer relationship and engagement

Our customer relationship programme has allowed us to communicate more effectively with our existing customers via both email and text message, creating

genuine lifetime value. In 2017 we saw a continuation of strong demand for further borrowing from our existing customer base.



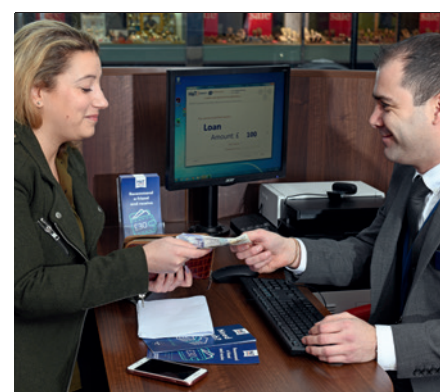
Product development

We have made significant progress in developing a range of loan products which can help our customers return to mainstream credit. Our loan products now have three distinct products.

This allows us to lend to a new customer who has a less than perfect credit history, but also gives us the opportunity to maintain a relationship with the customer and potentially lend them more at an improved rate as they repair and rebuild their credit history with us. Our best rate loan is typically offered to existing customers who have a strong history of repaying their loan.

We can now also lend up to £5,000 to a new customer depending on their personal circumstances and affordability. This allows us to serve a wider range of customers. These customers are not necessarily customers we would have historically transacted with.

The new rates also allow us to compete in different markets and widen our distribution of product through our carefully selected portfolio of partners. We are now presenting our product online to customers who are looking for a more traditional unsecured loan product.



Chief executive's review

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

The Group delivered profit before tax of £14.1m (2016: £9.7m) as a result of improved gross profits in the key segments of pawnbroking, retail and personal loans.

THE MARKET

Our marketplace has undergone significant changes in the past four years, experiencing peak competition, a falling gold price and new regulation causing a number of our competitors to restructure their businesses or exit the market. In comparison, during 2017 we experienced far more stability allowing us to focus on developing our proposition.

OUR STRATEGY

Our Vision:

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

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

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

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

REVIEW OF OPERATIONS

Pawnbroking

Gross profits from pawnbroking increased 4.5% to £29.7m (2016: £28.4m) and the gross pledge book increased 11.6% to £46.1m (31 December 2016: £41.3m) as a result of the higher gold price, the concession format and an increase in loans on quality watches.

The risk-adjusted margin (revenue as a percentage of the average net pledge book) was 68.3% (2016: 72.5%). The reduction in risk-adjusted margin is a result of the changing business mix to higher value, lower interest rate loans. Redemption of annual lending was marginally lower at an estimated 83.6% for lending in 2017 (2016 actual: 84.3%).

The pawnbroking segment remains challenging with limited real growth in like-for-like stores. There is short-term opportunity as a result of the relatively higher gold price and in the medium term through further expansion in our concession format and lending on high-end products.

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

The Group is investing in software to assist the management of customer enquiries in respect of pawnbroking as well as the acquisition of new partners to introduce customers to the business. This investment will allow an expansion to the broker and online channels in respect of pawnbroking during 2018.

Pawnbroking summary:

	2017 £'000	2016 £'000	Change %
Year-end net pledge book	45,549	40,806	11.6%
Average net pledge book	43,414	39,155	10.9%
Revenue	29,670	28,384	4.5%
Risk-adjusted margin ¹	68.3%	72.5%	

¹ Revenue as a percentage of the average net pledge book



Chief executive’s review (continued)

Retail

Retail sales increased 16% to £35.4m (2016: £30.5m), gross profits to £12.9m (2016: £11.2m) and margin reduced to 36.3% (2016: 36.8%).

The Group has invested in store inventories with average monthly balances being 12% higher during 2017 than 2016. This coupled with control over targeted discounts has resulted in the significant improvements in gross profits despite margin pressure as a result of increased cost of goods reflecting the higher rates on both lending and purchasing activities.

The development of new-jewellery sales has been particularly encouraging with sales increasing by 62% and gross profits of £1.3m (2016: £0.9m) as we identify key segments and lines to supplement our pre-owned offering.

The est1897 website has been enhanced during the year with improved templates, photography and the number of items on the site. There are now more than 2000 high-quality watches online together with a range of high quality jewellery. This enables us to present store inventories to a far wider audience and equally, through the use of tablets, we can present a far wider range of choice to in-store customers. While in the early stages of development we are encouraged by the results to date with almost £1m in sales originating on the website being completed during 2017 (2016: £0.1m).

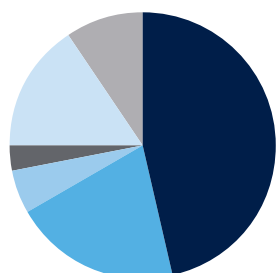
We intend to enhance the website further during 2018 with greater integration with in-store systems, additional products online and improved functionality for the user.

Personal loans

The net personal loans book has increased by 94.7% to £18.3m (31 December 2016: £9.4m). The Board considers revenue less impairment to be an important measure of the performance of personal loans as it represents the net profit derived directly from our lending activities. Revenue less impairment has increased to £5.7m (2016: £3.5m) as a result of increased customer numbers and the expansion in our longer term, lower interest rate loan product.

The reduction in the risk-adjusted margin (RAM) to 44.9% (2016: 55.1%) is the result of the increased proportion of new customers, expansion in online and the introduction of our lower APR products. Impairment as a percentage of the average monthly net loan book has improved to 33.3% (2016: 37.0%) reflecting the increased mix of lower yield, higher quality loans. This is in line with management expectations for credit quality and collections performance.

In line with the strategy of providing larger loans over longer terms at a lower interest rate we launched our 49.9% APR product in May 2017. This product is designed to provide a “near prime” option for our best customers.



GROSS PROFIT BREAKDOWN

■ Pawnbroking	46.5%
■ Retail	20.2%
■ Gold purchasing	5.3%
■ Pawnbroking scrap	3.0%
■ Personal loans	15.7%
■ Other services	9.3%

The Group now has three distinct products offered both in store and online:

- >100% APR loans falling into the high-cost short-term credit (HCSTC) definition of the FCA. These loans are intended as the starting point of the customer journey with H&T and represent the highest volume of loans written as they tend to be lower value and shorter term. At 31 December 2017 this segment represented approximately 50% of the personal loan book.
- <100% APR loans which are generally provided to customers who have established a track record of repayment with H&T. At 31 December 2017 this segment represented approximately 46% of the personal loan book.
- <50% APR loans which are intended to be the final step of the journey for our customers as they rebuild their credit rating. At 31 December 2017 this segment represented approximately 4% of the personal loan book.

As a result of these initiatives half of the personal loans loan book is now non-HCSTC.

The expansion in other channels of business continues, the net online loan book doubled in the year to £1.4m and remains a key opportunity for the Group. The broker to store channel is also beginning to show positive results as we enhance our customer relationship management systems.

The focus for the Group is to build these alternative sources for customers, work is underway to reduce the costs of acquisition and processing whilst improving performance.

Personal loans summary:

	2017 £'000	2016 £'000	Change %
Year-end net loan book	18,256	9,356	95.1%
Average monthly net loan book	12,795	6,348	101.6%
Revenue	10,012	5,849	71.2%
Impairment	(4,271)	(2,351)	81.7%
Revenue less impairment	5,741	3,498	64.1%
Interest yield ¹	78.3%	92.1%	
Impairment % of revenue	42.7%	40.2%	
Impairment % of average monthly net loan book	33.3%	37.0%	
Risk-adjusted margin ²	44.9%	55.1%	

¹ Revenue as a percentage of average loan book

² Revenue less impairment as a percentage of average loan book

Pawnbroking scrap

Gross profits reduced to £1.9m (2016: £2.1m). The result in 2016 was enhanced as a result of the rapid increase in the sterling gold price following the EU referendum result.

The average gold price during 2017 was £976 per troy ounce (2016: £926), a 5.4% increase. The gold price directly impacts the revenue received on the sales of scrapped gold.

Gold purchasing

Gross profits reduced to £3.4m (2016: £3.9m) despite a higher volume of gold scrapped in the year.

H&T purchases gold to achieve a particular margin and it takes around two months to process items directly to scrap. If the gold price increases during this processing period then our margins are enhanced, if it reduces then our margins are compressed.

During 2016, the gold price increased by 29% from January to December, whereas during the same period in 2017 it fell by 2.2%. Accordingly, our margins were considerably lower in 2017 vs 2016.

We estimate that the weight of fine gold purchased in 2017 increased by approximately 2.1% from 2016 to 2017.

Other services

Other services principally comprises FX, buyback, cheque cashing and Western Union. Gross profits from this segment increased to £5.9m (2016: £5.6m), as growth in FX and buyback was partially offset by declines in Western Union and cheque cashing.

The key growth components of FX and buyback improved in the year with gross profits from FX increasing to £2.9m (2016: £2.7m) and buyback increasing to £1.8m (2016: £1.6m).

FX is a simple transactional product which attracts a new customer base to the business. Improvements to currency holdings in store, point of sale materials and the expansion of click and collect will enhance this product in the future.

Buyback enables the Group to service a customer base who may not have appropriate assets for a pawnbroking loan. The principal assets purchased are mobile phones, tablets and games consoles. We have invested in system development to support the valuation and testing of the items in store. Further work will be completed in 2018 to fully integrate those systems and support the clicks-to-bricks customer journey.

PROSPECTS

The Group has enhanced its ability to serve a wider customer base, both in store and online, with growth in its well-established core products and the newer unsecured lending offering. This diversified approach to growth reduces the risks inherent in any individual objective and positions the Group to capture share in this exciting market. Current trading for 2018 is in line with management expectations.

I would also like to add my great thanks to those of the Chairman, in recognising all of 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

END OF PERIOD STERLING GOLD PRICE

(£ per troy oz)

2010	897.7
2011	985.1
2012	1,019.7
2013	727.2
2014	773.0
2015	719.0
2016	927.4
2017	954.4

STORE DEVELOPMENT

	2010	2011	2012	2013	2014	2015	2016	2017
Acquired	1	1	6	3	1	—	—	—
New Stores	12	24	22	5	4	—	—	—
Closed	—	—	(2)	—	(8)	(2)	(8)	—
Estate Total	135	160	186	194	191	189	181	181



Finance director's review

FINANCIAL RESULTS

For the year ended 31 December 2017 gross profit increased 11.7% from £57.1m to £63.8m driven by growth in the core segments of pawnbroking, retail and personal loans.

Total direct and administrative expenses increased by 4.7% from £46.9m to £49.1m, principally as a result of investment in staff to support business volumes in personal loans and new initiatives. The Board considers the continued investment in people and systems to be vital in repositioning the business to take advantage of the market conditions.

Finance costs increased 20% to £0.6m (2016: £0.5m), reflecting the higher utilisation of the facility during 2017 following expansion in the pawnbroking and personal loan books.

Profit before tax increased by £4.4m to £14.1m, up 45.4% from £9.7m in 2016.

CASH FLOW

The growth in profit for the year resulted in an increase in operating cash flows (before movements in working capital) of 26.5% to £17.2m (2016: £13.6m).

The Group accelerated the growth both in personal loans and pawnbroking during 2017 resulting in an increase in receivables of £14.2m in the year (2016: £8.2m). This growth, partially offset by increased profits, is the principal reason the Group produced a cash outflow from operating activities of £2.4m (2016: inflow of £1.3m).

BALANCE SHEET

As at 31 December 2017, the Group had net assets of £107.6m (2016: £98.8m) with year-end net debt of £13.3m (2016: £5.4m) delivering an increase in gearing to 12.4% (2016: 5.5%) (see note 27).

On 1 March 2018, the Group extended the existing facility with Lloyds Bank plc by £5m allowing for maximum borrowings of £35.0m, subject to covenants, at a margin of between 1.75% and 2.75% above LIBOR. At year end £22.0m was drawn on the facility and the Group was well within the covenants with a net debt to EBITDA ratio of 0.76x and an EBITDA to interest ratio of 37.15 (see note 3 for the definition of EBITDA). The facility has a termination date of 30 April 2020.

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

ACQUISITIONS AND DISPOSALS

The Group acquired two pawnbroking loan books for £0.1m, there have been no disposals of stores or loan books during the year.

IMPAIRMENT REVIEW

The Group performs an annual review of the expected earnings of each acquired store and considers whether the associated goodwill and other property, plant and equipment are impaired. There was no impairment charge during 2017 (2016: £nil/none).

SHARE PRICE AND EPS

At 31 December 2017, the share price was 335p (2016: 259.75p) and market capitalisation was £124.6m (2016: £95.5m). Basic earnings per share were 31.07p (2016: 20.94p), diluted earnings per share were 30.94p (2016: 20.88p).



Stephen A Fenerty
Finance Director



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 Audit 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
<p>Regulatory risk</p>	<p>Loss arising from a breach of existing regulation or regulatory changes in the markets within which the Group operates.</p>	<ul style="list-style-type: none"> • 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
<p>Gold price</p>	<p>A significant fall in the gold price impacting the security of pledge and the revenues from scrap operations.</p> <p>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.</p>	<ul style="list-style-type: none"> • Ensure sufficient headroom on bank covenants to absorb a reduction in gold price, should it occur, without covenant breach • Monitoring of gold price at Board level • Annual testing of forecasts sensitised for gold price • Maintenance of appropriate margin between pledge value and gold price • Lending on alternative high value items • Review possible use of hedging instruments • Focus on increasing redemption rates to minimise reliance on disposition • Increase retail sales as a disposition hedge

Area	Description of risk	Examples of mitigating activities
Theft and fraud	Loss of inventory or pledge	<ul style="list-style-type: none"> • High levels of physical security • Insurance for material losses • Systems and procedures to minimise risk
	Internal theft and fraud	<ul style="list-style-type: none"> • 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 focussed 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.	<ul style="list-style-type: none"> • 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
Cyber security, denial of service and data loss	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Utilise appropriate levels of industry-standard information security solutions for critical systems • Conduct penetration testing to identify vulnerabilities and deliver improvements • Continue to monitor cyber-threats using internal and external resources and where necessary implement changes to combat this • Daily back-up and secure storage of all systems to minimise data loss • Detailed disaster recovery and business continuity plans are in place, these are regularly reviewed and tested

Financial risk management objectives and policies

The Group's activities expose it to several financial risks including interest rate risk, credit risk, liquidity risk, price risk and exchange-rate risk. The use of financial derivatives is governed by the Group's policies approved by the Board, which provides written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

A summary of the principal financial risks is provided below. Further detailed discussion is provided in note 26 to the consolidated financial statements.

Interest rate risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. At present the Board does not consider it necessary to enter into a hedging arrangement. This position is reviewed by the Board on a regular basis.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables, the most significant of which are the pledge book, the personal loan book and cheque cashing balances. In all cases, exposure on trade and other receivables is spread over a large number of counterparties and customers.

The risk attributable to the pledge book is further mitigated due to the presence of security (customer pledges) which can be easily liquidated in almost all cases fully recovering the amount lent.

The risks attached to the unsecured personal loan book are mitigated by the continual monitoring of bad debts and a possible modification of lending criteria. The Group performs an external credit check prior to lending. Similar procedures mitigate the risks associated with cheque cashing activities.

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

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

	Moody's credit rating
Barclays Bank plc	A1 (Negative Outlook)
Lloyds Bank plc	Aa3

The Group had no significant concentration of credit risk at year end other than on bank balances of £47,000 with Barclays Bank plc (2016: £944,936) and £1,149,000 (2016: £1,412,480) 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 2017, the Group had sufficient headroom on its current borrowings and remains in full compliance with all loan covenants. On 1 March 2018, the Group extended the existing facility with Lloyds Bank plc by £5m allowing for maximum borrowings of £35.0m.

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

Price risk

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

Exchange rate risk







While the Group's activities are 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 on a monthly basis and hedging is utilised if required.

Corporate social responsibility

Our people: At H&T 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.



Training and development

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

Corporate social responsibility (continued)

Reward and recognition

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

- Life assurance for all of our staff members
- Interest free season ticket loans
- Childcare vouchers
- Employee assistance programme
- Enhanced sick and holiday pay
- Innovation scheme (ideas rewarded by up to £1,000)
- Health insurance for management
- Eye care vouchers
- Cycle to work scheme

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

Employee engagement

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

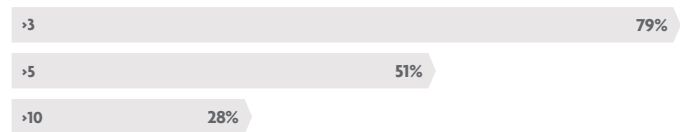
Internal appointments

We strive to develop and retain our staff. An important part of this is to provide opportunities within the Group where possible. We advertise positions weekly to every employee in order to help them to apply for these positions; where appropriate we use the management and star development programmes to help individuals progress.

“ 66% of our Deputy Manager and Store Manager roles were filled internally in 2017. ”

We value experience and recognise long service from 5 years on in five yearly increments. During 2017, 126 employees received a long service award and 64 employees were invited to attend a lunch in London to celebrate services of 10 years or more. A member of our audit team celebrated 45 years' service, with the Chief Executive, John Nichols, receiving his 20 year award.

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.

The following tables show the gender mix for staff across the Group at the end of the year:

	Full Time	Part Time	Total
Male	245	42	287
Female	462	360	822
Total	707	402	1109

	Male	Female
Board of directors	5	0

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 <i>(non-board directors and department heads)</i>	8	4
Regional managers	1	1
Area managers	9	7

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:

- Beatson Cancer Charity
- The Children's Trust
- Macmillan Cancer Support

OUR RESPONSE TO THE MODERN SLAVERY ACT 2015

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

STRATEGIC REPORT APPROVAL

This report was approved by the Board of Directors on 12 March 2018 and signed on its behalf by:



Stephen A Fenerty

Company Secretary

12 March 2018

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, 67

Appointed: 08/09/2004

Committees: None

Profile: After an early career in the RAF, John entered the leisure industry with the Rank Organisation where he held several senior executive positions. John joined H&T as managing director in 1997 and subsequently became chief executive. He has been instrumental in developing and implementing the business strategy and delivering growth in stores, revenues and profitability.

External appointments: Director, The National Pawnbrokers Association



Stephen A Fenerty

Finance Director, 45

Appointed: 28/02/2005

Committees: None

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

External appointments: None



Peter D McNamara

Non-Executive Chairman, 67

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.



Malcolm L Berryman

Non-Executive Director, 63

Appointed: 01/10/2008

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

Profile: Malcolm is currently a non-executive director at STM Group PLC and runs his own consultancy business primarily involved in life and general insurance. Between 1990 and 2005, he was chief executive of two Insurers, Liverpool Victoria and Crown Financial Management. He qualified as an Actuary in 1983.

External appointments: Non-executive director at STM Group PLC, Director at Berryman Consulting Limited



James F Thornton

Non-Executive Director, 60

Appointed: 30/11/2012

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

Profile: James has more than fifteen years of 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 has also held senior positions with Lord Ashcroft KCMG associated companies – Anne Street Partners and Global Health Partner plc. James is a Fellow of the Institute of Chartered Accountants in England and Wales.

External appointments: Director at Dunster 22 Limited

Registered and head office and advisers

Registered and Head Office

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Tel: +44 (0) 870 9022 600

Broker and Nominated Adviser

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

Legal advisers to the Group

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

Independent Auditor

Deloitte LLP
Statutory Auditor
Crawley
RH10 9AD

Bankers

Lloyds Bank plc
25 Gresham Street
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



Corporate governance

The directors recognise the importance of adopting good corporate governance practices in the best interests of all shareholders. Although the Group is not required to report on compliance with the UK Corporate Governance Code (“the Code”) since its shares are traded on the AIM Market, the Group applies the principles of sound Corporate Governance in the following ways:

DIRECTORS

The Board

The Board comprises two executive directors and three non-executive directors. Their biographies appear on page 20. A review of these shows a range of experience and expertise sufficient to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The three non-executive directors each hold shares as disclosed on page 28. However, because the number of shares held is small, there is no entitlement to share options for non-executives, and there are no cross directorships between executive and non-executive directors; the non-executive directors are considered to be independent.

Board meetings

The Board is responsible to the shareholders for the proper management of the Group. A directors’ responsibilities statement in respect of the financial statements is set out in this Annual Report on page 31.

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

At Board meetings, the agenda normally comprises a review of the management 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.

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

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

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors. The members of the Committee are:

- Malcolm L Berryman (Chairman)
- Peter D McNamara
- James F Thornton

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

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

The duties of the Committee are to:

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

The Committee is authorised by the Board to:

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

Attendance at Board and committee meetings:

	Board	Audit	Remuneration	Risk	Nomination
Peter McNamara	10/10	3/3	4/4	3/3	2/2
Malcolm Berryman	10/10	3/3	4/4	3/3	2/2
James Thornton	10/10	3/3	4/4	3/3	2/2
John Nichols	10/10	N/A	N/A	N/A	N/A
Stephen Fenerty	10/10	N/A	N/A	N/A	N/A

Audit Committee

The Audit Committee comprises three independent non-executive directors. The members of the Committee are:

- James F Thornton (Chairman)
- Malcolm L Berryman
- Peter D McNamara

The Audit Committee monitors the integrity of the financial statements of the Group and any formal announcements relating to financial performance, reviewing and challenging where necessary the consistency of accounting policies, and the application of critical accounting policies and practices and any changes to them. The Audit Committee reviews the scope, results and cost-effectiveness of internal and external audit, and has delegated power from the Board to exercise the power from shareholders to agree fees for external auditors. It is responsible each year for satisfying itself on the independence and objectivity of external auditors and the independence of internal auditors. The Audit Committee meets at least three times a year.

As directed by the Audit Committee, the principal function of the Group's internal audit team is to verify the physical presence and control procedures surrounding the cash, pledge and inventory balances within stores and the Group's Jewellery Centre. The internal audit team report to the Audit, Security and Compliance executive meetings and the Board and Audit Committee reviews those minutes.

The Audit Committee reviews the operation of internal controls and reports to the Board on the annual review of the internal control and risk management and the effectiveness of the financial reporting policies and systems.

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 2017 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 32 to 36.

Issue	Judgement	Role of the Committee
<p>Impairment of personal loan receivables</p> <p>Personal loan receivables are impaired based on the number of payments missed based on the original loan agreement with the customer.</p> <p>Impairment is calculated using historical payment performance to estimate the value and timing of future payments for each level of customer arrears.</p>	<p>The key judgements in respect of the impairment calculation are:</p> <ul style="list-style-type: none"> • The point at which to impair a loan account; and • Whether historical performance provides a suitable method to project future cash flows. <p>This is a key audit matter for our external auditors and is detailed in their independent auditor's report.</p>	<p>Reviews analysis and recommendations produced by the executive team in respect of the required impairment.</p> <p>Reviews the methodology used and the performance of the models versus the actual result of prior periods.</p> <p>Consideration of the potential impact on future performance of factors such as:</p> <ul style="list-style-type: none"> • Rapid growth of the product • A range of external economic factors including consumer indebtedness • Changing business mix for product type and channel <p>Reviews the preparatory work and analysis in respect of the implementation of IFRS 9 in 2018.</p>

Corporate governance (continued)

Issue	Judgement	Role of the Committee
<p>Recognition of revenue and the associated revenue accrual in respect of pawnbroking</p> <p>Interest income is recognised when it has been paid, or is expected to be paid by the customer.</p> <p>The interest accrual is calculated by using estimates for the expected redemption profile of pawnbroking loans based on a range of historical performance data.</p>	<p>The key judgement in respect of the interest accrual is the determination of the correct redemption profile to use in the model.</p> <p>This is a key audit matter for our external auditors Deloitte and is detailed in their Independent Audit Report.</p>	<p>Reviews the application of the agreed methodology and supporting calculations.</p> <p>Considers the impact and validity of any changes to the basis of the redemption predictions.</p> <p>Considers the impact of changing redemption trends and outcomes over time and how to implement them in the model.</p>
<p>Impairment of goodwill</p> <p>The Group historically acquired a number of businesses and must consider whether goodwill requires impairment.</p> <p>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.</p>	<p>The key judgement is in respect of the forecast cash flows for the CGUs.</p>	<p>Reviews the application of the agreed methodology and supporting calculations.</p> <p>Considers factors that may impact the future performance of the CGUs and whether that should be reflected in the forecast.</p> <p>Considers the sensitivity of the projections and the amount of headroom available before impairment is required.</p>
<p>Provisions relating to store lease commitments</p> <p>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.</p>	<p>The key judgement in respect of reinstatement is its cost and timing.</p> <p>The key judgement for the onerous lease provision is the determination of future cash flows from the store.</p>	<p>Reviews the application of the agreed methodology and supporting calculations.</p> <p>Considers factors that may impact the future performance of the stores and whether that should be reflected in the forecast.</p> <p>Considers the sensitivity of the projections to changes in the inputs.</p>
<p>Provisions relating to inventories and pawnbroking loans</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Reviews the application of the agreed methodology and supporting calculations.</p> <p>Considers the overall adequacy of the provisions based on historical performance and changes in asset balances.</p> <p>Considers changes in the business or external environment which may impact on the recoverability, particularly gold price and redemption trends.</p>

Risk Committee

The Risk Committee comprises three independent non-executive directors. The members of the Committee are:

- Malcolm L Berryman (Chairman)
- Peter D McNamara
- James F Thornton

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

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

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

Nomination Committee

The Nomination Committee comprises three independent non-executive directors. The members of the Committee are:

- Peter D McNamara (Chairman)
- Malcolm L Berryman
- James F Thornton

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

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

Corporate governance (continued)

INTERNAL CONTROL

The Board acknowledges that it is responsible for the Group's system of internal control and for the continuing process of reviewing the effectiveness of the internal controls. Internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The directors confirm that they have reviewed the effectiveness of the systems of internal control that have been in operation during the year. The Group operates a three lines of defence model, the first line being the systems and controls in place to prevent and detect errors, the second provided by compliance monitoring and oversight and the third by internal audit.

Internal control: financial

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

- Financial reporting: there is a comprehensive budgeting system with an annual budget approved by the Board. Monthly trading results are reported against the corresponding figures for the budget and previous year. The Board also reviews re-forecasts on a regular basis.
- Capital expenditure: there is a comprehensive budgeting system for capital expenditure with an annual budget approved by the Board. The Finance Director authorises individual items of capital expenditure and material items are also authorised by the Board or CEO.
- Cash flow: an annual cash flow forecast is drawn up and approved by the Board and actual cash flow is reviewed monthly against this forecast.
- Organisational structure: a clear organisational structure with defined responsibilities and clear authority levels has been set.
- Store audits: a Store Audit function exists to ensure that Group procedures regarding cash, pledges and stock handling are being adhered to. On average the internal audit visits to stores are performed biannually.
- Corporate audits: the Internal Audit Department has a defined audit universe and conducts risk based audits in line with the annual plan to address all other risks not covered within store audits, the universe and plan is approved by the Audit Committee.

Internal control: risk management

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

RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of communications with shareholders. The chief executive's review on pages 8 to 11 include a detailed review of the business and future developments. There is a regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the year-end results and at the half year results.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Principal activities and review of the business

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

A review of the business and its future development (including the information that fulfils the relevant requirements of section 417 of the Companies Act 2006) is given in the Chairman's Statement and Chief executive's review on pages 2 to 11.

Dividends

The directors propose a final dividend of 6.2p (2016: 5.3p) per share subject to approval at the Annual General Meeting on 3 May 2018. This proposed dividend, in accordance with IAS 10 'Events after the balance sheet date', has not been provided for in the attached financial statements.

During the year, the Company paid the final dividend for the year ended 31 December 2016 of 5.3p per share (2015: 4.5p per share) and an interim dividend for the year ended 31 December 2017 of 4.3p per share (2016: 3.9p 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 394,273 ordinary shares (2016: 187,223) 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 2017 was £1,871,888 (31 December 2016: £1,852,174).

As at 1 March 2018, 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	12.8%
Fidelity International	9.8%
Close Brothers Asset Management	8.8%
Fidelity Management & Research	8.1%
Camelot Capital Partners	7.1%
Janus Henderson Investors	5.3%
BlackRock	4.9%
Directors	3.8%
Octopus Investments	3.4%
Braeside Capital	3.3%

Details of employee share schemes are set out in note 28. Under these share schemes, there are currently potentially an additional 1,281,558 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 are no other potentially dilutive equity instruments in the Company in issue at 31 December 2017 or 31 December 2016.

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

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

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

Directors and their interests

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

Executive

J G Nichols
 S A Fenerty

Non-Executive

P D McNamara
 M L Berryman
 J F Thornton

Directors' report (continued)

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

Director	Type of share	At 1 January 2017	At 31 December 2017
J G Nichols	Ordinary 5p shares	1,079,530	1,079,530
S A Fenerty	Ordinary 5p shares	305,933	305,933
P D McNamara	Ordinary 5p shares	17,351	17,351
M Berryman	Ordinary 5p shares	2,000	2,000
J F Thornton	Ordinary 5p shares	5,000	5,000

At 31 December 2017, the market price of H&T Group plc's shares was 335p and the range during the year ended 31 December 2017 was 260p to 357p.

At 31 December 2016, the market price of H&T Group plc's shares was 259.75p and the range during the year ended 31 December 2016 was 180p to 300.5p.

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

At the forthcoming Annual General Meeting of the Company, the following director will, by rotation, be offering himself for re-election:

- J G Nichols

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									
– 2007 Scheme	78,390	—	78,390	—	—	217.5p	281.75p	17/5/2010	16/5/2017
– 2008 Scheme	92,293	—	92,293	—	—	175.5p	322.50p	15/5/2011	14/5/2018
– 2009 Scheme	87,628	—	—	—	87,628	194.0p	—	1/5/2012	30/4/2019
– 2010 Scheme	93,686	—	—	—	93,686	245.5p	—	20/4/2013	19/4/2020
	351,997	—	170,683	—	181,314				
S A Fenerty									
– 2007 Scheme	45,517	—	45,517	—	—	217.5p	281.75p	17/5/2010	16/5/2017
– 2008 Scheme	59,544	—	—	—	59,544	175.5p	—	15/5/2011	14/5/2018
– 2009 Scheme	61,855	—	—	—	61,855	194.0p	—	1/5/2012	30/4/2019
– 2010 Scheme	54,989	—	—	—	54,989	245.5p	—	20/4/2013	19/4/2020
	221,905	—	45,517	—	176,388				

No share options were granted to any director since 2012.

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:

	2017 £	2016 £
Emoluments	1,241,444	922,184
Gain on exercise of share options	215,281	146,255
Money purchase pension contributions	43,728	43,082
	1,500,453	1,111,521

Directors' emoluments and compensation

Name of director	Fees/ Basic salary £	Benefits in kind £	Annual bonuses £	Long-term incentive plan £	2017 Total £	2016 Total £
Executive						
J G Nichols	251,438	12,868	232,580	150,863	647,749	460,234
S A Fenerty	185,845	9,949	130,091	111,507	437,392	307,957
Non-executive						
P D McNamara	72,701	—	—	—	72,701	71,627
M Berryman	43,082	—	—	—	43,082	42,445
J F Thornton	40,520	—	—	—	40,520	39,921
Aggregate emoluments	593,586	22,817	362,671	262,370	1,241,444	922,184

Directors' bonus schemes

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

In 2015 the Board established a cash settled long-term incentive plan based on the performance of the business over the period 2015-2017 and provided for a payment at the end of the period of no more than 100% of the annual base salary of the director. The Remuneration Committee reviewed the audited performance under the plan and approved a payment of 60% of the base salary of the directors. No other long-term bonus plan was active in the three year period.

Directors' pension entitlements

Two directors (2016: 2) were members of money purchase schemes during the year. Contributions paid by the Group in respect of such directors were as follows:

	2017 £	2016 £
J G Nichols	25,144	24,772
S A Fenerty	18,585	18,310
	43,729	43,082

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 also qualify for the Long-Term Incentive Plan (LTIP). Further details on share option plans are provided in note 28.

Directors' report (continued)

Employee consultation

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

Employment of the disabled

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

Health and safety

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

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

Political contributions

No political contributions were made during the year (2016: £nil).

Going concern

The Group delivered profit after tax of £11.3m for the year ended 31 December 2017 (2016: £7.6m). The Group also increased its net assets to £107.6m (2016: £98.8m).

The Board has approved a detailed budget for 2018, which indicates surplus cash generated from operations for the year after accounting for the Group's forecast levels of capital expenditure. The existing facility with Lloyds Bank plc allowing for maximum borrowings of £30.0m, subject to covenants, expires in April 2020. At the year end, £22.0m 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 2018 and Q1 2019. The Group met all covenants in 2017 and there is no evidence to suggest that they will not be met in 2018 or Q1 2019.

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 should have no significant negative impact to our business model. The Group offering is principally through secured lending against pledges. The Group policies on pawn lending remain rigorous and prudent, such that the Group has limited exposure to loss in the event of customers not redeeming their pledges, due to the value of the pledge collateral held, principally being gold and precious stones. The Group has no reason to believe that the value will not be maintained in the near future. Further details are provided in note 26.

Based on the above considerations and after reviewing in detail 2018 and Q1 2019 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

12 March 2018

Registered and Head Office

H&T Group plc
Times House, Throwley Way,
Sutton, Surrey SM1 4AF

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the directors are required to:

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 12 March 2018 and is signed on its behalf by:



J G Nichols
Chief Executive Officer

12 March 2018



S A Fenerty
Finance Director

12 March 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 December 2017 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 of H&T Group plc (the ‘Parent Company’) and its subsidiaries (together, the ‘Group’) 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;
- the Group and Parent Company statements of accounting policies; and
- the related notes 1 to 33 and A to F

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

Basis for opinion

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

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

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Revenue recognition: accuracy of pledge interest revenue and the associated accrual at the balance sheet date • Valuation of provisioning in relation to personal loan receivables
Materiality	<p>The materiality that we used in the current year was £758,000 which is 5.4% of the Group’s profit before tax (PBT) figure of £14,102,000.</p>
Scoping	<p>We have performed a full audit scope on both H&T Group plc and its subsidiary Harvey & Thompson Limited.</p>

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the period subject to our audit 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.

Revenue recognition: accuracy of pledge interest revenue and the associated accrual at the balance sheet date

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 a historical analysis, in order to determine the interest revenue due on the pledge receivable at balance sheet date. There is a risk that the pledge accrual is misstated due to the use of a redemption rate estimate which is inappropriate. This accrual totalled £7.4m as at 31 December 2017.

Management use historical data to build up a profile of historical redemption. The profile is the basis for estimates of future redemption rates used to calculate the year end pledge accrual. 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 interest revenue recognition and is a key management judgement; hence we consider this to be a key audit matter for the audit.

The estimated redemption on annual lending for the year ended 31 December 2017 is 83.6% (Actual redemption of 2016 loans: 84.3%).

Further information regarding the pledge accrual is found within the Corporate governance report on page 24 and the critical accounting judgements and key sources of estimation uncertainty on page 47.

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



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

- Using IT specialists within the audit team to reperform the compilation of historical data into the historical redemption profile;
- Analysing historical trends in the rate to assess the appropriateness of the redemption rates, taking into consideration shifts in the historical profile;
- Assessing whether the associated interest accrual calculation is compliant with the requirements of IAS 39 *Financial instruments: recognition and measurement*; and
- Assessing management's historical forecasting accuracy by performing a retrospective review of the prior year pledge interest accrual.

Key observations



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

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

Valuation of provisioning in relation to personal loan receivables

Key audit matter description



Management apply a best estimate of the likely default on a personal loan based on historical analysis, in order to determine the provision value. This estimate requires management to make significant judgements regarding the level and timing of expected future cash flows. In recent years, the magnitude of the personal loan book has increased significantly. At 31 December 2017 the gross loan book totalled £21.6m (2016: £11.1m).

A risk has been identified in connection with the valuation of the provision in place in relation to personal loan receivables. This provision totalled £3.8m as at 31 December 2017 (31 December 2016: £2.1m). Further information regarding the loan provision is found within the Corporate governance report on page 23 and the critical accounting judgements and key sources of estimation uncertainty on page 48.

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



We evaluated the design and implementation of controls over the calculation and review of the personal loan provisioning. We have tested management's personal loan provision by:

- Assessing whether the personal loan provision calculation is consistent with the requirements of IAS 39 *Financial instruments: recognition and measurement*;
- Testing the accuracy and completeness of personal loan data used to calculate the provision;
- Challenging the provisioning methodology through discussions with management;
- Analysing historical trends in the default rate to assess for any indication of ongoing increases in default; and
- Performing a retrospective review of the prior year provision and subsequent write-offs.

Key observations



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

Our application of materiality

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	£758,000	£750,000
Basis for determining materiality	5.4% of profit before tax.	We calculated 3% of net assets as the basis of materiality but further capped this at 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 and therefore net assets is a key measure. The cap has been applied in line with our methodology for setting materiality for components.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £38,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

Other information

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

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

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.



William Farren FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Crawley, United Kingdom
12 March 2018

Group statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £'000	2016 (Restated*) £'000
Continuing operations			
Revenue	5,6	110,333	96,573
Cost of sales		(46,567)	(39,453)
Gross profit	6	63,766	57,120
Other direct expenses		(36,864)	(34,597)
Administrative expenses		(12,233)	(12,325)
Operating profit		14,669	10,198
Investment revenues	5,10	—	1
Finance costs	11	(567)	(479)
Profit before taxation	7	14,102	9,720
Tax charge on profit	12	(2,766)	(2,138)
Profit for the financial year and total comprehensive income		11,336	7,582

		2017 Pence	2016 Pence
Earnings per share			
Basic	13	31.07	20.94
Diluted	13	30.94	20.88

*See note 3 Revenue recognition

Group statement of changes in equity

For the year ended 31 December 2017

	Note	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016		1,843	25,409	(35)	66,843	94,060
Profit for the financial year		—	—	—	7,582	7,582
Total comprehensive income		—	—	—	7,582	7,582
Share capital		9	345	—	—	354
Share option movement	28	—	—	—	(40)	(40)
Dividends paid	14	—	—	—	(3,109)	(3,109)
At 31 December 2016		1,852	25,754	(35)	71,276	98,847
At 1 January 2017		1,852	25,754	(35)	71,276	98,847
Profit for the financial year		—	—	—	11,336	11,336
Total comprehensive income		—	—	—	11,336	11,336
Share capital		20	887	—	—	907
Share option movement	28	—	—	—	96	96
Dividends paid	14	—	—	—	(3,564)	(3,564)
At 31 December 2017		1,872	26,641	(35)	79,144	107,622

Group balance sheet

As at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Non-current assets			
Goodwill	15	17,643	17,676
Other intangible assets	16	331	527
Property, plant and equipment	17	6,381	6,874
Deferred tax assets	24	861	682
		25,216	25,759
Current assets			
Inventories	19	34,102	29,792
Trade and other receivables	20	73,277	59,058
Other current assets	20	665	848
Cash and cash equivalents	21	8,676	9,608
		116,720	99,306
Total assets		141,936	125,065
Current liabilities			
Trade and other payables	22	(9,731)	(8,887)
Current tax liabilities	22	(1,460)	(1,119)
		(11,191)	(10,006)
Net current assets		105,529	89,300
Non-current liabilities			
Borrowings	23	(21,810)	(14,715)
Provisions	25	(1,313)	(1,497)
		(23,123)	(16,212)
Total liabilities		(34,314)	(26,218)
Net assets		107,622	98,847
Equity			
Share capital	27	1,872	1,852
Share premium account		26,641	25,754
Employee Benefit Trust shares reserve		(35)	(35)
Retained earnings		79,144	71,276
Total equity attributable to equity holders		107,622	98,847

The financial statements of H&T Group plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 12 March 2018.

They were signed on its behalf by:



J G Nichols
 Chief Executive

Group cash flow statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash (used in)/generated from operating activities	30	(3,493)	1,315
Investing activities			
Interest received		—	1
Proceeds on disposal of property, plant and equipment		7	66
Proceeds on disposal of trade and assets of businesses		—	82
Purchases of property, plant and equipment		(1,768)	(1,918)
Acquisition of trade and assets of businesses		(21)	(106)
Net cash used in investing activities		(1,782)	(1,875)
Financing activities			
Dividends paid	14	(3,564)	(3,109)
Increase in borrowings		7,000	2,000
Issue of shares		907	354
Net cash generated from/(used in) financing activities		4,343	(755)
Net decrease in cash and cash equivalents		(932)	(1,315)
Cash and cash equivalents at beginning of the year		9,608	10,923
Cash and cash equivalents at end of the year		8,676	9,608

Notes to the consolidated financial statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

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

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

The principal activities of the Company and its subsidiaries (the "Group") and the nature of the Group's operations are set out in note 6 and in the chairman's statement, chief executive'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 IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs: 2014-2016	Amendments to: IFRS 12 Disclosure of Interests in Other Entities

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 40 (amendments)	Transfers of Investment Property
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures
IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments

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, except as noted below:

IFRS 9 Financial instruments

The Group will apply IFRS 9 from 1 January 2018. The Group plans to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group has during 2018 as well as on economic conditions and judgements made as at the year end. The Group has performed an assessment of potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9 (1 January 2018).

Classification and measurement

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

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

There will be no change in the accounting for any financial liabilities.

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impairment

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

In respect of the personal loan receivable the Group expects to recognise a loss allowance for 12-month expected credit losses where the loan is not in arrears, as the loan falls into arrears the loss allowance will be based on the lifetime expected credit losses as there has been a significant increase in credit risk. The Group's estimate of the loss allowance for these assets as at 1 January 2018 is £2.6m greater compared to IAS 39.

In respect of the pawnbroking loan receivable the short-term nature of the agreement results in 12-month expected credit losses being the same as lifetime expected credit losses. The Group's estimate of the loss allowance for these assets as at 1 January 2018 is £5.2m greater compared to IAS 39.

At the date of initial application of IFRS 9, the estimated impact is a decrease in receivables as at 1 January 2018 of £7.8m which, net of deferred tax, results in a reduction in net assets of £6.3m.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of £30,333,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 29. Our assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at re-valued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies adopted are set out opposite.

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. Further detail is contained in the Directors' Report.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill

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

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

Goodwill arising on acquisitions before the date of transition to IFRS 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

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.

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

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 where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement' the Group has classified its financial assets as 'loans and receivables' and 'fair value through profit and loss'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

The principal financial assets included in this measurement category are:

Trade receivables

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

Cash and cash equivalents

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

Financial assets at 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.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

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.

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. All other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the Group statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

VAT

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

Leases

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

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

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

The Group currently has no finance leases.

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

All the Group's premises are leased under operating leases. The majority of the leases include end of lease rectification clauses which impose certain requirements on the Group to complete repairs and maintenance, or re-decoration activities if required. The Group provides for 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

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

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

- Pawnbroking, or Pawn Service Charge (PSC), comprises interest on pledge book loans, plus auction profit and loss, less any auction commissions payable and less surplus payable to the customer. Interest receivable on loans is recognised as interest accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount;
- 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. All revenue is recognised at the point of sale;
- Pawnbroking scrap and gold purchasing comprises proceeds from gold scrap sales and is recognised on full receipt of sale proceeds;
- Personal loans comprise income from the Group's unsecured lending activities. Personal loan revenues have historically been recognised net of related impairment charges. In light of the growth of the personal loans segment the Group has changed the personal loan revenue recognition policy to better reflect the underlying nature and substance of such revenues. From 1 January 2017 onwards, revenue has been stated before impairment, with any impairment charge included within other direct expenses in the Group statement of comprehensive income. 2016 revenue, gross profit and other direct expenses have been restated. The revenue and other direct expenses as previously stated have been increased by £2,351,000. There have been no changes to previously reported operating profit, profit before tax, profit after tax, earnings per share; nor any change to the Group balance sheet or the Group cash flow statement; and
- Other services comprise revenues from third party cheque cashing, foreign exchange income, buyback and other income. The commission receivable on cheque cashing is recognised at the time of the transaction. Buyback revenue is recognised at the point of sale of the item back to the customer. Foreign exchange income represents the commission when selling or buying foreign currencies and is recognised at the point of sale. Any other revenues are recognised on an accruals basis.

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

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.

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:

	2017 £'000	2016 £'000
Operating profit	14,669	10,198
Depreciation and amortisation	2,628	2,942
EBITDA	17,297	13,140

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

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.

Employee share incentive plans

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

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

Dividends

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

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

Pawnbroking loans interest accrual estimation

The Group recognises interest on pawnbroking loans as disclosed in the Critical judgements in applying the Group's accounting policies section above. The pawn loans interest accrual ('pledge accrual') is material to the financial statements and is 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 rates achieved. There is a risk that the actual redemption rate may vary significantly from the historical rate used to estimate the pledge accrual at the balance sheet date. The Directors assess the pledge accrual estimate made at the prior balance sheet date annually to determine if the actual redemption differs significantly to the previous estimate. No significant differences were noted for 2017 or 2016. The sensitivity of the pledge accrual to reasonable changes in the redemption rate is shown in note 26.

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

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

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The review is conducted annually, in the final quarter of the year. The impairment review is conducted at the level of each cash generating unit, which for acquisitions represents the specific store or stores acquired.

There was no impairment loss recorded in the current year (2016: £nil). The principal assumptions applied by management in arriving at the value in use of each cash generating unit are as follows:

The Group prepares cash flow forecasts over a five year period for each cash generating unit. 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 2017. For impairment review purposes, we have used conservative growth assumptions after 2018, even in this scenario there is still significant headroom on each CGU. A perpetuity formula has been applied to the cashflows i.e. we have made the assumption that periodic cashflows will be received indefinitely. The Group has discounted the cash flows at a pre-tax, risk adjusted rate of 12% (2016: 9%).

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.

Trade receivables provisioning

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

A provision for impairment on personal loans is recognised when a loan has no payments due, when contractual monthly payments are missed or when a balance is outstanding beyond the final repayment date. Personal Loan provision was £3,875,000 (2016: £2,195,000).

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

For further details on the provisions and impairment losses, refer to note 26, which show the amounts recorded in the period and the sensitivity at the balance sheet date to changes in the key assumptions with respect to impairment losses.

Revenue recognition

Interest receivable on pawnbroking loans is recognised as interest accrues by reference to the percentage of the pawn loans that are estimated to be redeemed and the effective interest rate applicable, for more details see Note 20 "Trade and other receivables". The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The estimated future cash receipts are based on the historical cash receipts experience (the "Pledge Redemption") of the business which vary from month to month. The Group monitors the Pledge Redemption on a monthly basis.

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

Impairment of personal loans

Impairment is calculated using models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage, more information is set out in Note 6 "Operating Segments". Judgement is applied as to the appropriate point at which receivables are impaired and whether past payment performance provides a reasonable guide as to the collectability of the current personal loan receivables book.

5. REVENUE

	2017 £'000	2016 (Restated) £'000
An analysis of the Group's revenue is as follows:		
Sales of goods		
Gold purchasing, retail, pawnbroking scrap	64,754	56,706
Interest/commission earned		
Pawnbroking, cheque cashing and other financial services	45,579	39,867
Revenue		
Investment revenues	—	1
Total Group revenue	110,333	96,574

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

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

	2017 £'000	2016 £'000
Income		
Interest earned on financial assets not designated at fair value	38,727	33,684
Fees earned on financial assets not designated at fair value	5,213	4,715

6. OPERATING SEGMENTS

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

The principal activities by segment are as follows:

Pawnbroking:

Pawnbroking is a loan secured against a collateral (the pledge). In the case of the Group, over 99% of the collateral against which amounts are lent comprises precious metals (predominantly gold), diamonds and watches. The pawnbroking contract is a six-month credit agreement bearing a monthly interest rate of between 1.99% and 10.00%. The contract is governed by the terms of the Consumer Credit Act 2008 (previously the Consumer Credit Act 2002). If the customer does not redeem the goods by repaying the secured loan before the end of the contract, the Group is required to dispose of the goods either through public auctions if the value of the pledge is over £75 (disposal proceeds being reported in this segment) or, if the value of the pledge is £75 or under, through public auctions or the retail or pawnbroking scrap activities of the Group.

Purchasing:

Jewellery is bought direct from customers through all of the Group's stores. The transaction is simple with the store agreeing a price with the customer and purchasing the goods for cash on the spot. Gold purchasing revenues comprise proceeds from scrap sales on goods sourced from the Group's purchasing operations.

Retail:

The Group's retail proposition is primarily gold and jewellery and the majority of the retail sales are forfeited items from the pawnbroking pledge book or refurbished items from the Group's gold purchasing operations. The retail offering is complemented with a small amount of new or second-hand jewellery purchased from third parties by the Group.

Pawnbroking scrap:

Pawnbroking scrap comprises all other proceeds from gold scrap sales other than those reported within gold purchasing. The items are either damaged beyond repair, are slow moving or surplus to the Group's requirements, and are smelted and sold at the current gold spot price less a small commission.

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

6. OPERATING SEGMENTS (CONTINUED)

Personal loans:

Personal loans comprises income from the Company unsecured lending activities. Personal loan revenues have historically been recognised net of related impairment charges. In light of the growth of the personal loans segment the Group has opted to change the personal loan revenue recognition policy to better reflect the underlying nature and substance of such revenues. From 1 January 2017 onwards, revenue has been stated before impairment, with any impairment charge included within other direct expenses in the Group statement of comprehensive income. 2016 revenue, gross profit and other direct expenses have been restated accordingly. There have been no changes to previously reported operating profit, profit before tax, profit after tax, earnings per share; nor any change to the Group balance sheet or Group cash flow statement.

Other services:

This segment comprises:

- Third party cheque encashment which is the provision of cash in exchange for a cheque payable to our customer for a commission fee based on the face value of the cheque.
- Buyback which is a service where items are purchased from customers, typically high-end electronics, and may be bought back up to 31 days later for a fee.
- The foreign exchange currency service where the Group earns a margin when selling or buying foreign currencies.
- Western Union commission earned on the Group's money transfer service.

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

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

Segment information about these businesses is presented below:

2017 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans £'000	Other services £'000	For the year ended 2017 £'000
External revenue	29,670	17,651	35,407	11,696	10,012	5,897	110,333
Total revenue	29,670	17,651	35,407	11,696	10,012	5,897	110,333
Gross profit	29,670	3,397	12,859	1,931	10,012	5,897	63,766
Impairment	—	—	—	—	(4,271)	—	(4,271)
Segment result	29,670	3,397	12,859	1,931	5,741	5,897	59,495
Other direct expenses excluding impairment							(32,593)
Administrative expenses							(12,233)
Operating profit							14,669
Finance costs							(567)
Profit before taxation							14,102
Tax charge on profit							(2,766)
Profit for the financial year and total comprehensive income							11,336

2016 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans (Restated*) £'000	Other services £'000	For the year ended 2016 (Restated*) £'000
External revenue	28,384	15,021	30,549	11,136	5,849	5,634	96,573
Total revenue	28,384	15,021	30,549	11,136	5,849	5,634	96,573
Gross profit	28,384	3,941	11,228	2,084	5,849	5,634	57,120
Impairment	—	—	—	—	(2,351)	—	(2,351)
Segment result	28,384	3,941	11,228	2,084	3,498	5,634	54,769
Other direct expenses excluding impairment							(32,246)
Administrative expenses							(12,325)
Operating profit							10,198
Investment revenues							1
Finance costs							(479)
Profit before taxation							9,720
Tax charge on profit							(2,138)
Profit for the financial year and total comprehensive income							7,582

*See note 3 Revenue recognition

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.

2017	Pawn- broking £'000	Gold purchasing £'000	Retail £'000	Pawn- broking scrap £'000	Personal loans £'000	Other services £'000	Unallocated assets/ (liabilities) £'000	For the year ended £'000
Other information								
Capital additions (*)							1,980	1,980
Depreciation and amortisation (*)							2,628	2,628
Balance sheet								
Assets								
Segment assets	52,924	1,658	31,858	1,251	18,256	—		105,947
Unallocated corporate assets							31,381	31,381
Consolidated total assets								141,936
Liabilities								
Segment liabilities	—	—	(650)	—	—	(100)		(750)
Unallocated corporate liabilities							(33,564)	(33,564)
Consolidated total liabilities								(34,314)

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

6. OPERATING SEGMENTS (CONTINUED)

2016	Pawn-broking £'000	Gold purchasing £'000	Retail £'000	Pawn-broking scrap £'000	Personal loans £'000	Other services £'000	Unallocated assets/ (liabilities) £'000	For the year ended £'000
Other information								
Capital additions (*)							1,768	1,768
Depreciation and amortisation (*)							2,940	2,940
Balance sheet								
Assets								
Segment assets	47,301	1,005	29,066	570	9,375	—		87,317
Unallocated corporate assets							33,040	33,040
Consolidated total assets								125,065
Liabilities								
Segment liabilities	—	—	(649)	—	—	(260)		(909)
Unallocated corporate liabilities							(25,309)	(25,309)
Consolidated total liabilities								(26,218)

(*) The Group cannot meaningfully allocate this information by segment due to the fact that all the segments operate from the same stores and the assets in use are common to all segments.

Geographical segments

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

	2017 £'000	2016 (Restated) £'000
United Kingdom	109,128	95,837
Other	1,205	736
	110,333	96,573

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 £27,625,000 (2016: £22,726,000) and from its second largest customer of £229,000 (2016: £1,085,000), 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

	2017 £'000	2016 £'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment reported within:		
– Other direct expenses	2,292	2,567
– Administrative expenses	136	119
Amortisation of intangible assets (reported within Other direct expenses)	200	256
Loss on disposal of property, plant and equipment	3	265
Cost of inventories recognised as expense	46,440	38,885
Write downs of inventories recognised as an expense	127	567
Staff costs (see note 9)	24,480	24,225
Impairment loss recognised on personal loans financial assets	4,271	2,351

8. AUDITOR'S REMUNERATION

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

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	57	47
Fees payable to the Company's auditor for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	57	48
Total audit fees	114	95
– Tax services	10	10
– Other assurance services	5	—
Total non-audit fees	15	10

The Company and Group audit fees are borne by a subsidiary undertaking, 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 3 (2016: 3) non-executive directors receive payments for services rendered to the H&T Group plc group. Their emoluments are included in the analysis below:

	2017 £'000	2016 £'000
Directors' emoluments:		
Aggregate emoluments	1,241	922
Gain on exercise of share options	215	146
Company pension contributions to money purchase schemes	44	43
	1,500	1,111

All executive directors during the year (2016: all) participated in Harvey & Thompson Limited's money purchase pension scheme. In addition, £nil (2016: £16,000) 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 (2016: None) of the directors exercised options over shares in the Company in the year. None (2016: None) of the directors were granted shares under the long term incentive scheme.

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

9. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	2017 £'000	2016 £'000
Highest paid director:		
Aggregate emoluments	648	460
Gain on exercise of share options	186	92
Company pension contributions to money purchase scheme	25	25

In addition, £nil (2016: £4,000) 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.

	2017 No.	2016 No.
Monthly average number of persons employed (including directors):		
Branches	965	986
Administration	137	115
	1,102	1,101

	2017 £'000	2016 £'000
Staff costs during the year (including directors):		
Wages and salaries	22,026	21,814
Share option expense (Note 28)	—	16
Social security costs	2,103	2,048
Other pension costs	351	347
	24,480	24,225

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 none are female.

10. INVESTMENT REVENUES

	2017 £'000	2016 £'000
Interest revenue:		
Bank deposits	—	1

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

	2017 £'000	2016 £'000
Loans and receivables (including cash and bank balances)	—	1

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

11. FINANCE COSTS

	2017 £'000	2016 £'000
Interest on bank loans	472	348
Other interest	1	1
Amortisation of debt issue costs	94	130
Total interest expense	567	479

12. TAX CHARGE ON PROFIT

(a) Tax on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax		
United Kingdom corporation tax charge at 19.25% (2016: 20%) based on the profit for the year	2,742	2,143
Adjustments in respect of prior years	181	191
Total current tax	2,923	2,334
Deferred tax		
Timing differences, origination and reversal	(156)	(278)
Adjustments in respect of prior years	(1)	12
Effects of change in tax rate	—	70
Total deferred tax (note 24)	(157)	(196)
Tax charge on profit	2,766	2,138

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than that resulting from applying a blended standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	14,102	9,720
Tax charge on profit at standard rate	2,716	1,944
Effects of:		
– Disallowed expenses and non-taxable income	(130)	(29)
– Effect of change in tax rate	—	70
– Movement in short-term timing differences	—	(50)
– Adjustments to tax charge in respect of prior years	180	203
Tax charge on profit	2,766	2,138

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 £96,000 (2016: charge of £56,000).

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

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 2017			Year ended 31 December 2016		
	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	11,336	36,479,426	31.07	7,582	36,212,688	20.94
Effect of dilutive securities						
Options and conditional shares	—	155,374	(0.13)	—	101,947	(0.06)
Earnings per share: diluted	11,336	36,634,800	30.94	7,582	36,314,635	20.88

14. DIVIDENDS

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2016 of 5.3 pence (2015: 4.5p) per share	1,964	1,666
Interim dividend for the year ended 31 December 2017 of 4.3 pence (2016: 3.9p) per share	1,600	1,443
	3,564	3,109
Amounts proposed and not recognised:		
Proposed final dividend for the year ended 31 December 2017 of 6.2p (2016: 5.3p) per share.	2,321	1,963

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 2016	14,133	3,574	17,707
Disposals	—	(31)	(31)
At 1 January 2017	14,133	3,543	17,676
Disposals	—	(33)	(33)
At 31 December 2017	14,133	3,510	17,643

There are no recognised impairment losses at 31 December 2017.

Goodwill acquired in business combinations is allocated as follows:

	2017 £'000	2016 £'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	679
Stores acquired in 2013	155	155
	17,643	17,676

The Harvey & Thompson Limited cash generating unit was created when H&T Group plc acquired Harvey & Thompson Limited in September 2004. Management is unable to allocate this goodwill by store and accordingly, tests this for impairment at the subsidiary entity level. All assets acquired after September 2004 are reviewed for impairment at the related store level. The stores are grouped for financial reporting purposes by year of acquisition to facilitate presentation and comparability on a year by year basis. Additionally, store performance is monitored by management based on the year of acquisition as the historical performance of an individual store is linked to its acquisition date. This approach is reflected in the way management has presented the above cash generating units.

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

16. OTHER INTANGIBLE ASSETS

	Software £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2016	1,610	2,481	4,091
Additions	—	31	31
At 1 January 2017	1,610	2,512	4,122
Additions	—	3	3
Disposals	(11)	(26)	(37)
At 31 December 2017	1,599	2,489	4,088
Amortisation			
At 1 January 2016	1,479	1,860	3,339
Charge for the year	67	189	256
At 1 January 2017	1,546	2,049	3,595
Charge for the year	63	137	200
Disposals	(11)	(27)	(38)
At 31 December 2017	1,598	2,159	3,757
Carrying amount			
At 31 December 2017	1	330	331
At 31 December 2016	64	463	527

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

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 2016	23,708	217	22	4,826	4,633	33,406
Additions	793	1	9	518	416	1,737
Disposals	(571)	—	(9)	(39)	(52)	(671)
At 1 January 2017	23,930	218	22	5,305	4,997	34,472
Additions	1,522	12	11	421	11	1,977
Disposals	(576)	—	—	(136)	(60)	(772)
At 31 December 2017	24,876	230	33	5,590	4,948	35,677
Accumulated depreciation and impairment						
At 1 January 2016	17,601	120	12	4,150	3,385	25,268
Charge for the year	2,083	26	6	237	334	2,686
Disposals	(310)	—	—	(15)	(31)	(356)
At 1 January 2017	19,374	146	18	4,372	3,688	27,598
Charge for the year	1,769	37	6	312	304	2,428
Disposals	(576)	—	—	(100)	(54)	(730)
At 31 December 2017	20,567	183	24	4,584	3,938	29,296
Carrying amount						
At 31 December 2017	4,309	47	9	1,006	1,010	6,381
At 31 December 2016	4,556	72	4	933	1,309	6,874

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 given in note C to the Company's separate financial statements.

19. INVENTORIES

	2017 £'000	2016 £'000
Retail and scrap inventory	34,102	29,792

Of the retail and scrap inventory, 92.09% (2016: 93.97%) 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

	2017 £'000	2016 £'000
Trade receivables	63,912	50,335
Other receivables	92	199
Pledge accrued income	7,375	6,495
Prepayments and accrued income	1,898	2,029
	73,277	59,058

Trade and other receivables are disclosed net of impairment.

The pledge loan book of £45.5m (2016: £40.8m) and personal loan book of £18.3m (2016: £9.4m) are included, net of provisions, within the trade receivables balance.

	2017	2016
	£'000	£'000
Other current assets		
Other current assets	665	848

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

21. CASH AND CASH EQUIVALENTS

	2017	2016
	£'000	£'000
Cash and cash equivalents	8,676	9,608

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

Further details on financial instruments, including the associated risks to the Group and allowances for bad and doubtful debts and fair values, is provided in note 26.

22. TRADE AND OTHER PAYABLES

	2017	2016
	£'000	£'000
Trade payables	1,786	1,350
Other taxation and social security costs	620	508
Accruals and deferred income	7,325	7,029
	9,731	8,887

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 37 days (2016: 36 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.

	2017	2016
	£'000	£'000
Current tax liabilities	1,460	1,119

23. BORROWINGS

	2017	2016
	£'000	£'000
Long term portion of bank loan	22,000	15,000
Unamortised issue costs	(190)	(285)
Amount due for settlement after more than one year	21,810	14,715

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

23. BORROWINGS (CONTINUED)

As at 31 December 2017 the key terms of the Lloyds Bank plc facility were:

Key Term	Description
Total Facility Size	£30m
Termination Date	30 April 2020
Utilisation	The facility is available to be drawn down to the full £30m 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.

On 1 March 2018, the Group extended the existing facility with Lloyds Bank plc by £5m allowing for maximum borrowings of £35.0m.

Deferred debt issue costs

There were £94,000 of deferred debt issue costs written off in the period to the Group statement of comprehensive income (2016: £130,000).

Security

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

Undrawn borrowing facilities

At 31 December 2017, the Group had available £8,000,000 (2016: £15,000,000) 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	Hold over capital gain £'000	Short-term timing differences £'000	Share based payment £'000	Total £'000
At 1 January 2016	266	(126)	293	109	542
Prior year adjustment	(66)	123	(69)	—	(12)
Credit to income	170	3	20	15	208
Debit to equity	—	—	—	(56)	(56)
At 1 January 2017	370	—	244	68	682
Prior year adjustment	1	—	—	—	1
Credit to income	94	—	20	42	156
Debit to equity	—	—	—	22	22
As 31 December 2017	465	—	264	132	861

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 2017 has been calculated at a rate between 19% and 17% depending on when the deferred tax asset is expected to be utilised in future periods.

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

25. PROVISIONS

	Provision for reinstatement and onerous leases £'000
At 1 January 2016	1,305
Additional provision in the year	265
Released provision	(19)
Provision utilised in the year	(54)
At 1 January 2017	1,497
Additional provision in the year	211
Released provision	(342)
Provision utilised in the year	(53)
At 31 December 2017	1,313

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

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

26. FINANCIAL INSTRUMENTS

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

At 31 December 2017	Fair value through profit or loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book value total £'000	Fair value total £'000
Financial assets					
Pawnbroking trade receivables	—	52,923	—	52,923	56,235
Other financial services trade receivables	—	18,256	—	18,256	18,256
Other assets	—	126	—	126	126
Cash and cash equivalents	—	8,676	—	8,676	8,676
Financial liabilities					
Trade and other payables	—	—	(9,111)	(9,111)	(9,111)
Borrowings due after more than one year	—	—	(21,810)	(21,810)	(21,810)
Net financial assets/(liabilities)	—	79,981	(30,921)	49,060	52,372

At 31 December 2016	Fair value through profit or loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book value total £'000	Fair value total £'000
Financial assets					
Pawnbroking trade receivables	—	47,300	—	47,300	51,147
Other financial services trade receivables	—	9,375	—	9,375	9,375
Other assets	—	171	—	171	171
Cash and cash equivalents	—	9,608	—	9,608	9,608
Financial liabilities					
Trade and other payables	—	—	(8,379)	(8,379)	(8,379)
Borrowings due after more than one year	—	—	(14,715)	(14,715)	(14,715)
Net financial assets/(liabilities)	—	66,454	(23,094)	43,360	47,207

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

26. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

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

- (i) For trade receivables relating to pawnbroking, the fair value has been calculated by adding:
 - The principal outstanding on pawn loans;
 - The interest receivable accrued using the effective interest rate method based on assumed redemption; and
 - Assumed scrap profits on the proportion of the Group's pledge book that is not expected to be redeemed, i.e. those loans upon which the Group does not recognise interest due to the uncertainty of recovery.
- (ii) Other trade receivables and other assets are considered to have fair values which are the same as their book values due to the short period over which they will be recovered. Book values for both cheque cashing and financial services trade receivables are calculated net of provisions, and hence represent the Group's best estimate of recovery values based upon recent debt collections experience.
- (iii) Cash and cash equivalents are all held on interest bearing bank accounts are considered to have a fair value the same as their book value.
- (iv) For borrowings and trade and other payables, the book value approximates to fair value because of their short maturities and interest rates where applicable. None of the trade or other payables are interest bearing. The borrowings are all held at floating interest rates which approximate market rates, and accordingly, the book value and fair value are the same.

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

Financial risks

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

Credit risk

Pawnbroking trade receivables

The Group is exposed to credit risk through customers defaulting on their loans. The key mitigant to this risk is the requirement for the borrower to provide 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:

- i) Applying strict lending criteria to all pawn loans

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

The Group estimates that the current fair value of the security is equal to the current book value.

- ii) Seeking to improve redemption ratios:

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

A 1% increase/(decrease) in the Group's redemption ratio is estimated to impact the pre-tax profit by £90,000/(£90,000). This does not account for lost repeat business however, and as such the Group sees more value in retaining a high redemption ratio.

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

- (i) assets being pledged as security against loans, which are subsequently seized by the police; 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.

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

	£'000
Balance at 1 January 2016	696
Net Consolidated Statement of Comprehensive Income charge	(216)
Written off	50
Balance at 31 December 2016	530
Net Consolidated Statement of Comprehensive Income charge	182
Written off	(126)
Balance at 31 December 2017	586

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

	2017	2016
	£'000	£'000
0-90 days	6,951	6,101
Over 90 days	1,730	2,152
Total	8,681	8,253

The Group has not provided for the £8,681,000 (2016: £8,253,00) contractually overdue receivables (i.e. loans where the pawn agreement has terminated but the customer has not redeemed the assets) at the reporting date since the realisable value of the security held is greater than the carrying value of the pledge loan as disclosed above. The Group does not start the disposition process of the unredeemed pledges until three months after the end of the credit agreement since it is commercial practice to allow additional time for the customers to redeem their pledged items, for an additional fee.

The maximum exposure to credit risk would be £52,923,000 (2016: £47,300,000), being the gross carrying amount net of any amounts offset and any impairment losses.

Other trade receivables

This class represents amounts recoverable by the Group through receivables arising from the other financial services activities it engages in, and is exposed to credit risk through default on the loan amounts for Personal Loans, or default from the drawer for third party cheque encashment. On each product the Group employs appropriate policies to mitigate the credit risk including credit checks, obtaining legal security provided and appropriate staff recruitment and training policies. The Group monitors the ongoing risk associated with this class of financial assets through a continual review of bad debts, modifications to the lending policy, and internal audit activities. In the event of default by the customer, the Group has also developed a debt collection department to recover any outstanding debt.

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

	Personal loans	Other services	Total
	£'000	£'000	£'000
Balance at 1 January 2016	1,369	17	1,386
Net Consolidated Statement of Comprehensive Income charge	3,178	246	3,424
Written off	(2,351)	(247)	(2,598)
Balance at 31 December 2016	2,196	16	2,212
Net Consolidated Statement of Comprehensive Income charge	5,950	223	6,173
Written off	(4,271)	(221)	(4,492)
Balance at 31 December 2017	3,875	18	3,893

Trade receivables not overdue are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

26. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

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:

	2017 £'000	2016 £'000
Barclays Bank plc	47	945
Lloyds Bank plc	1,149	1,412
The Royal Bank of Scotland plc	—	76
Cash at stores	7,480	7,175
	8,676	9,608

Market risk

Pawnbroking trade receivables

The collateral which protects the Group from credit risk on non-redemption of pawn loans is 99% (2016: 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 5% increase/(decrease) in the gold price is estimated to impact the pre-tax profit by £12,000/(£18,000) 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 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.

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

- i) A lower gold price will adversely affect the scrap disposition margins on existing 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.

Liquidity risk

Borrowings

The Group has significant borrowings exposing it to liquidity risk in both repayment of borrowings and availability of finance. In order to mitigate this risk, the Group uses a mixture of short-term and long-term debt finance with banking institutions with high credit-ratings assigned by international credit-rating agencies. The current borrowings are disclosed in detail in note 23, which shows that the Group has arrangements in place for funding until 2020. At 31 December 2017, the Group also has available £8,000,000 (2016: £15,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. This level of headroom is considered sufficient to finance operations at the current level, and as described in note 23. On 1 March 2018, the Group extended the existing facility with Lloyds Bank plc by £5m allowing for maximum borrowings of £35.0m. Furthermore, as shown in note 30, the business generates a positive cash flow from operating activities and has discretion in its expansion programme should the Group need to improve short-term cash flow.

The Group is in full compliance with all loan covenants.

The maturity analysis of the cash flows arising from both current borrowing arrangements that expose the Group to liquidity risk are as follows:

Payments due by period	Less than 30 days £'000	30 to 60 days £'000	60 days to 180 days £'000	180 days to 1 year £'000	1-2 years £'000	2-3 years £'000	3-5 years £'000	Total £'000
At 31 December 2017								
Floating rate borrowings	40	40	163	251	494	494	22,164	23,646
Trade and other payables	1,786	7,325	—	—	—	—	—	9,111
Total	1,826	7,365	163	251	494	494	22,164	32,757

Payments due by period	Less than 30 days £'000	30 to 60 days £'000	60 days to 180 days £'000	180 days to 1 year £'000	1-2 years £'000	2-3 years £'000	3-5 years £'000	Total £'000
At 31 December 2016								
Floating rate borrowings	25	25	99	152	301	301	15,099	16,002
Trade and other payables	1,350	7,029	—	—	—	—	—	8,379
Total	1,375	7,054	99	152	301	301	15,099	24,381

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 2017		
Finance costs: gain/(loss)	109	(220)
Total pre-tax impact on profit from gain/(loss)	109	(220)
Post tax impact on equity gain/(loss)	88	(178)
At 31 December 2016		
Finance costs: gain/(loss)	38	(150)
Total pre-tax impact on profit from gain/(loss)	38	(150)
Post tax impact on equity gain/(loss)	31	(120)

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.

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

27. SHARE CAPITAL

	2017 £'000	2016 £'000
Issued and fully paid		
37,437,760 (2016: 37,043,487) ordinary shares of £0.05 each	1,872	1,852

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

Options over shares of the Company are disclosed in note 28. Under these share option arrangements, there are 838,990 (2016: 1,281,558) 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 Company, 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:

	2017 £'000	2016 £'000
Debt	22,000	15,000
Cash and cash equivalents	(8,676)	(9,608)
Net debt	13,324	5,392
Equity	107,622	98,847
Net debt to equity ratio	12.4%	5.5%

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

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

Externally imposed capital requirement

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

28. SHARE-BASED PAYMENTS

As at 31 December 2017, the Company operated three share award schemes. The charge for the year in respect of all schemes was:

	2017 £'000	2016 £'000
A. Approved Share Option Scheme	—	7
B. Unapproved Share Option Scheme	—	—
C. Long-term Incentive Plan	—	9
	—	16

Awards that can be granted under the three schemes total a maximum of 3,743,776 shares (2016: 3,704,349 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 2007, 2008, 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 become exercisable subject to continued employment within the Group as at the exercise date.

Early exercise of the options is permitted if an option holder ceases to be employed by reason of death, injury, disability, retirement or sale of his employing company.

The options outstanding at the year end were as follows:

	Grant date	Exercise price Pence	Number of shares	Earliest date of exercise	Expiry date
ASOS 2007	May 2007	217.5	—	16/05/2010	15/05/2017
ASOS 2008	May 2008	175.5	19,433	15/05/2011	14/05/2018
ASOS 2009	April 2009	194.0	24,307	30/04/2012	29/04/2019
ASOS 2010	April 2010	245.5	54,548	19/04/2013	18/04/2020
ASOS 2011	April 2011	298.5	80,369	18/04/2014	17/04/2021
ASOS 2012	March 2012	297.0	93,125	29/03/2015	28/03/2022
ASOS 2013	March 2013	292.3	104,001	28/03/2016	27/03/2023

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

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

	Number of share options	2017 Weighted average exercise price (in pence)	Number of share options	2016 Weighted average exercise price (in pence)
Outstanding at beginning of the year	604,399	272.9	773,010	267.5
Granted during the year	—	—	—	—
Forfeited during the year	(48,295)	280.0	(107,415)	273.9
Exercised during the year	(180,321)	265.4	(61,196)	202.5
Outstanding at the end of the year	375,783	275.6	604,399	272.9
Exercisable at the end of the year	375,783	275.6	604,399	272.9

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 2007	May 2007	217.5	—	16/05/2010	15/05/2017
USOS 2008	May 2008	175.5	54,131	15/05/2011	14/05/2018
USOS 2009	April 2009	194.0	150,839	30/04/2012	29/04/2019
USOS 2010	April 2010	245.5	214,012	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	10,434	29/03/2015	28/03/2022
USOS 2013	March 2013	292.3	25,652	28/03/2016	27/03/2023

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

Notes to the consolidated financial statements

For the year ended 31 December 2017 (continued)

28. SHARE-BASED PAYMENTS (CONTINUED)

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

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

	Number of share options	2017 Weighted average exercise price (in pence)	Number of share options	2016 Weighted average exercise price (in pence)
Outstanding at beginning of the year	677,159	217.4	810,142	212.3
Granted during the year	—	—	—	—
Forfeited during the year	—	—	(6,956)	251.7
Exercised during the year	(213,952)	200.5	(126,027)	182.5
Outstanding at the end of the year	463,207	225.2	677,159	217.4
Exercisable at the end of the year	463,207	225.2	677,159	217.4

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

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

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

There were no conditional shares outstanding at the year end.

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

	Number of conditional shares	2017 Weighted average exercise price (in pence)	Number of conditional shares	2016 Weighted average exercise price (in pence)
Outstanding at beginning of the year	—	—	198,513	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	(198,513)	—
Exercised during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2017 £'000	2016 £'000
Minimum lease payments under operating leases recognised as an expense in the year	6,519	6,593

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

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Leases expiring:				
Within one year	6,179	6,046	77	55
In the second to fifth years inclusive	15,573	16,723	199	1
After five years	8,305	9,082	—	—
	30,057	31,851	276	56

Significant operating lease payments represent rentals payable by the Group for rental of store premises.

Leases are normally negotiated for an average term of 10 years at the then prevailing market rate, with a break option after 5 years.

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

30. NOTES TO THE CASH FLOW STATEMENT

	2017 £'000	2016 £'000
Profit for the financial year	11,336	7,582
Adjustments for:		
Investment revenues	—	(1)
Finance costs	567	479
Movement in provisions	(184)	192
Tax expense – Group statement of comprehensive income	2,766	2,138
Depreciation of property, plant and equipment	2,428	2,686
Amortisation of intangible assets	200	256
Share-based payment expense	—	16
Loss on disposal of property, plant and equipment	69	265
Operating cash flows before movements in working capital	17,182	13,613
Increase in inventories	(4,311)	(4,991)
Increase/(decrease) in other current assets	184	(202)
Increase in receivables	(14,202)	(8,156)
Increase in payables	618	3,585
Cash (used in)/generated from operations	(529)	3,849
Income taxes paid	(2,508)	(1,860)
Debt restructuring costs	—	(325)
Interest paid	(456)	(349)
Net cash (used in)/generated from operating activities	(3,493)	1,315

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

31. RELATED PARTY TRANSACTIONS

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

Transactions with directors are disclosed in the directors' report and note 9. There were no other material related party transactions during the year.

Remuneration of key management personnel

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

	2017 £'000	2016 £'000
Short-term employee benefits	1,717	1,322
Pension contributions	59	58
Share-based payments	215	146
	1,991	1,526

32. CAPITAL COMMITMENTS

There is no significant capital expenditure authorised and contracted for but not provided in the accounts (2016: £nil).

33. EVENTS AFTER THE BALANCE SHEET DATE

The directors have proposed a final dividend for the year ended 31 December 2017 of 6.2p (2016: 5.3p) (note 14).

On 1 March 2018, the Group extended the existing facility with Lloyds Bank plc by £5m allowing for maximum borrowings of £35.0m.

Parent Company balance sheet

As as 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Investments	C	44,586	44,586
		44,586	44,586
Current assets			
Receivables	D	59	56
Cash at bank and in hand		2	3
		61	59
Liabilities: amounts falling due within one year	E	(5,860)	(3,092)
Net current assets		(5,799)	(3,033)
Total assets less current liabilities		38,787	41,553
Net assets		38,787	41,553
Capital and reserves			
Called up share capital	F	1,872	1,852
Share premium account		26,641	25,754
Employee Benefit Trust shares reserve		(35)	(35)
Share option reserve		1,495	1,495
Profit and loss account		8,814	12,487
Total shareholders' funds		38,787	41,553

The financial statements of H&T Group plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 12 March 2018.

Signed on behalf of the Board of Directors by:



J G Nichols
Chief Executive

Parent Company statement of changes in equity

For the year ended 31 December 2017

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

2016 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	2016 Total £'000
At 1 January		1,843	25,409	(35)	1,479	15,709	44,405
Loss for the financial year		—	—	—	—	(113)	(113)
Dividend paid		—	—	—	—	(3,109)	(3,109)
Issue of share capital	F	9	345	—	—	—	354
Share option credit taken directly to equity		—	—	—	16	—	16
At 31 December		1,852	25,754	(35)	1,495	12,487	41,553

Notes to the Company financial statements

For the year ended 31 December 2017

A. ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

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

The financial statements have been prepared on a going concern basis as discussed in the Directors' Report.

The particular accounting policies adopted are described below.

Taxation

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

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

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

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

Investments

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

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

Dividends

Dividends receivable from subsidiary undertakings are recorded in the profit and loss account on the date that the dividend becomes a binding liability on the subsidiary Company. Under the terms of IFRS 3 'Business Combinations', the Company records dividends arising from pre-acquisition profit and loss reserves of its subsidiary undertaking in the profit and loss account and considers whether the distribution affects the carrying value of the investment in the subsidiary undertaking.

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

Share options

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

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

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 incurred a loss after taxation of £109,000 in 2017 (2016: loss of £113,000).

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 (2016: £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 2016	1,479
Additions	16
Transfer of shares as a result of Group structure change	43,091
At 1 January 2017 and 31 December 2017	44,586

Within the cost at 1 January 2016 includes cost of shares in a subsidiary undertaking of £1.

Additions in the prior year represent capital contributions in relation to share options issued to employees, as set out in note 28 on page 66.

During 2016 H&T Finance Limited, a wholly owned subsidiary of H&T Group plc, was wound up. The investment of £43,091,000 in Harvey & Thompson Limited was subsequently transferred to H&T Group plc.

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:		Principal Activity
		Directly	Indirectly	
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

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

D. RECEIVABLES

	2017 £'000	2016 £'000
Amounts owed by subsidiary companies	35	35
Prepayments and accrued income	24	21
	59	56

E. LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade creditors	329	263
Amounts owed to subsidiary companies	5,505	2,804
Accruals and deferred income	26	25
	5,860	3,092

F. CALLED UP SHARE CAPITAL

Please refer to the Group financial statements of H&T Group plc for details of share capital including shares issued in the year (note 27), and dividends paid and proposed (notes 14 and 33).

Store directory

ACTON

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

AYR

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

BARKING

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

BASILDON

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

BEDMINSTER

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

BEXLEYHEATH

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

BIRKENHEAD

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

BIRMINGHAM

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

BIRMINGHAM

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

BIRMINGHAM

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

BLACKBURN

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

BLACKPOOL

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

BOLTON

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

BOOTLE

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

BOW

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

BRADFORD

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

BRIGHTON

4 Castle Square, BN1 1EG
Tel: 01273 326 061

BRIXTON

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

BROMLEY

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

BURNT OAK

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

CAMBERWELL

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

CATFORD

58 Rushey Green, SE6 4JD
Tel: 020 8690 3549

CHALK FARM

36 Chalk Farm Road, NW1 8AJ
Tel: 020 7485 2668

CHATHAM

321 High Street, ME4 4BN
Tel: 01634 811 811

CHEETHAM HILL

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

CHELMSFORD

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

CLAPHAM

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

CLAPTON

157 Clapton Common, E5 9AE
Tel: 020 8809 1488

CLYDEBANK

25 Sylvania Way South, G81 1EA
Tel: 0141 952 6396

COLCHESTER

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

CORBRY

19 Corporation Street, NN17 1NG
Tel: 01536 402 886

COSHAM

32 High Street, PO6 3BZ
Tel: 02392 389 940

COVENTRY

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

COVENTRY

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

CRAWLEY

11 Broadwalk, RH10 1HJ
Tel: 01293 618 270

CREWE

21 Victoria Street, CW1 2HF
Tel: 01270 254 888

CROYDON EAST

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

CROYDON WEST

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

CROYDON WHITGIFT

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

DAGENHAM

299 Heathway, RM9 5AQ
Tel: 020 8592 8848

DALSTON

52 Kingsland High Street, E8 2JP
Tel: 020 7254 1788

DARLINGTON

23 Skinnergate, DL3 7NW
Tel: 01325 361 781

DARTFORD

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

DEPTFORD

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

DERBY

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

DONCASTER

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

DOWNHAM

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

DUDLEY

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

DUNDEE

116 Seagate, DD1 2ET
Tel: 01382 205 213

EAST HAM

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

EAST KILBRIDE

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

EASTERHOUSE

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

EASTLEIGH

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

EDINBURGH

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

EDINBURGH

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

EDMONTON

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

EDMONTON

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

ELEPHANT AND CASTLE

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

ELLESMERE PORT

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

ELTHAM

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

FAREHAM

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

FINSBURY

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

FOREST GATE

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

FULHAM

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

GATESHEAD

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

GILLINGHAM

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

GLASGOW

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

GLASGOW

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

GLASGOW

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

GOVAN

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

GRAVESEND

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

GREEN STREET

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

GREENOCK

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

GRIMSBY

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

HACKNEY

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

HAMMERSMITH

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

HARLESDEN

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

HARLOW

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

HARROW

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

HARROW

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

HASTINGS

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

HAYES

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

HOLLOWAY

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

HOUNSLOW

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

HOUNSLOW

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

HULL

Unit 30, 37 Prospect Centre, HU2 8PP
Tel: 01482 228 946

HYDE

Unit 5, The Mall, Clarendon Square
Shopping Centre, SK14 2QT
Tel: 0161 351 7812

ILFORD

91-93 Cranbrook Road, IG1 4PG
Tel: 020 8514 3334

ILFORD

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

IRVINE

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

KILBURN

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

KINGSTON UPON THAMES

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

KIRKBY

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

KIRKCALDY

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

Store directory (continued)

LEEDS

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

LEICESTER

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

LEIGH

53 Bradshawgate, WN7 4NB
Tel: 01942 673 012

LEITH

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

LEWISHAM

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

LEYTON

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

LIVERPOOL

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

LIVERPOOL

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

LIVERPOOL

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

LIVERPOOL

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

LIVINGSTON

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

LUTON

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

MACCLESFIELD

23 Chestergate, SK11 6BX
Tel: 01625 430 699

MARGATE

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

MIDDLESBROUGH

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

NEW ADDINGTON

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

NEWCASTLE

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

NEWCASTLE

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

NORTHAMPTON

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

NOTTINGHAM

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

OLDHAM

Unit 34, Town Square Shopping Centre,
OL1 1XF
Tel: 0161 627 5904

OLDHAM

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

ORPINGTON

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

PADDINGTON

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

PARTICK

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

PECKHAM

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

PENGE

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

PETERBOROUGH

1 Westgate, PE1 1PX
Tel: 01733 310 794

POPLAR

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

PORTSMOUTH

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

PRESTON

11 Friargate, PR1 2AU
Tel: 01772 563 495

READING

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

ROCHDALE

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

ROMFORD

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

ROTHERHAM

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

RUGBY

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

RUNCORN

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

RUTHERGLEN

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

SALFORD

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

SCUNTHORPE

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

SHEFFIELD

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

SIDCUP

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

SLOUGH

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

SOUTHALL

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

SOUTHAMPTON

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

SOUTHAMPTON

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

SOUTHEND-ON-SEA

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

SPRINGBURN

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

ST. HELENS

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

STEVENAGE

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

STIRLING

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

STOCKPORT

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

STOCKTON

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

STOKE ON TRENT

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

STRATFORD

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

STREATHAM

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

STRETFORD

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

SUNDERLAND

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

SURREY QUAYS

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

SUTTON

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

SUTTON IN ASHFIELD

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

SWINDON

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

SYDENHAM

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

TIPTON

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

TOOTING

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

TOOTING JUNCTION

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

TOTTENHAM

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

UXBRIDGE

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

WALLSEND

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

WALSALL

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

WALTHAMSTOW

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

WALWORTH

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

WALWORTH

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

WATERLOO

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

WATFORD

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

WELLING

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

WEMBLEY

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

WEST BROMWICH

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

WIGAN

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

WILLESDEN

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

WOLVERHAMPTON

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

WOLVERHAMPTON

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

WOOD GREEN

12 Cheapside, N22 6HH
Tel: 020 8889 9484

WOOLWICH

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

WORCESTER PARK

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

WORKSOP

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

WYTHENSHAW

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

BOND STREET OFFICE

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

H&T Group plc

Times House
Throwley Way
Sutton
Surrey
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