H&T Group plc

Annual Report and Financial Statements

For the year ended 31 December 2020

Registered number: 05188117

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Overview and key performance indicators

"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."

Chris Gillespie
Chief Executive

Key performance indicators

No. of stores

2020: 253, 2019: 252, 2018: 182, 2017: 181, 2016: 181

Pledge book

Down 33.1% to £48.3m in 2020, 2019: £72.2m, 2018: £52.0m, 2017: £47.5m, 2016: £41.3m

Redemption of annual lending %

2020: 82.3% 2019: 82.4%, 2018: 82.8%, 2017: 83.6%, 2016: 84.3%

This is the actual percentage of lending in each year which was redeemed or renewed; the 2020 figure is an estimate based on recent trend and early performance.

Retail gross profits

Down 16.9% to £11.3m in 2020, 2019: £13.6m, 2018: £13.2m 2017: £12.9m, 2016: £11.2m

Net personal loan book

Reduced 19.0% to £16.6m in 2019, 2018: £20.5m, 2017: £14.9m, 2016: £9.4m, 2015: £4.2m

Personal loan revenue less impairment

Down 25.0% to £8.1m in 2020, 2019: £10.8m 2018: £7.0m, 2017: £3.9m, 2016: £3.5m

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.

Financial overview

Gross profit

£ 82.8m

2019: £101.4m

EBITDA

£ 26.2m

2019: £30.0m

(see note 3 for the definition of EBITDA)

Profit before tax

£ 15.6m

2019: £20.1m

Diluted EPS

32.1p

2019: 43.8p

Dividend per share

8.5p

2019: 4.7p

H&T Group plc
Chairman's statement

The Group has delivered a strong financial performance despite the impact of the Covid-19 pandemic. There is still uncertainty over the ongoing impact of Covid-19 and its impact on high street footfall, overseas travel, and consumer demand for short term credit. Since the outbreak of the virus, our priority has been the safety and wellbeing of colleagues, customers, and wider stakeholders.

The exceptional resilience, flexibility and commitment of our colleagues is a key factor in the ongoing success story of H&T. I thank everyone who has contributed to H&T delivering a solid performance during a challenging year.

IMPACT OF COVID AND ACTIONS TAKEN

Trading to 23 March 2020 was strong, with performance ahead of management expectations. Revenue growth from the 70 new stores added to our estate in 2019 was particularly pleasing.

With the issue of HM Government advice outlining the need for strict social distancing measures and the requirement to close retail stores, our network of 253 stores was temporarily closed on 24 March 2020. While our stores were closed, we took the opportunity to review and revise health and safety measures within our stores and implemented an online pawnbroking payment portal, allowing customers to settle loans remotely.

The Government added the provision of short-term credit to the essential services list and later in May widened further the services that could be offered in our stores to incorporate our full financial services offering. The Group began a phased reopening of the store estate on 12 May 2020 and by 31 May 2020 all stores except two were open, providing financial services with the exception of personal unsecured lending. From 15 June 2020, the Group recommenced offering retail jewellery through its stores in line with updated government guidance.

Since May 2020, all but two of our stores have remained open, albeit retail jewellery being served via our eCommerce and click and collect operations during the Q4 2020 and Q1 2021 lockdown periods.

While the stores were closed, store colleagues were furloughed under the government's Job Retention Scheme. All colleagues returned to full employment as stores reopened for business. During the year, our colleagues across the UK offered support in their local communities, and the Group provided a charitable fund to support small, local charities who are connected to our customers and employees. We have since launched a partnership with FareShare, the UK's largest charity fighting hunger and food waste.

During the year the Group implemented several initiatives to help our customers including: an interest holiday on all outstanding secured loans while stores were closed; providing pawnbroking customers with the opportunity to defer payment by extending their loan period; allowing personal loan customers the opportunity to take payment deferrals; and launching our new and fully functional online pawnbroking payment portal. We supported and stayed in contact with our customers by offering a dedicated call centre operation and online chat facility, regularly updating our website with information and guidance, and issued additional SMS text and postal communications direct to customers.

The Group has continued to invest in its digital capability allowing customers to access products both remotely and through its store estate. In addition, the Group opened a new store in Edinburgh and acquired a trading business in East London towards the end of the year.

We withdrew the recommendation to pay a final 2019 dividend and all directors reduced their salary remuneration for the duration of store closures.

FINANCIAL PERFORMANCE

Revenues were materially impacted during the period of closure and the phased reopening. At the end of December 2020, the pledge book stood at £48.3m, having fallen from £72.2m at the end of 2019. Throughout the year pawnbroking customers have continued to repay their loans (either by attending the store or via the payment portal) at normal pledge redemption rates. New loans have been subdued, reflecting reduced demand from customers for borrowing under existing economic conditions.

On the other hand, retail sales have been particularly strong, reflecting increased consumer demand for competitively priced, high-quality jewellery and watches. The high gold price during the year has driven increased gross profits both from pawnbroking and gold purchasing activities. These strong performances have more than offset weakness in the Group's foreign currency business due to reduced international leisure travel.

The Group delivered profit after tax of £12.6m (2019: £16.7m) and diluted earnings per share of 32.1 pence (2019: 43.8 pence). Subject to shareholder approval, a final dividend of 6.0 pence per ordinary share (2019: nil) will be paid on 25 June 2021 to those shareholders on the register at the close of business on 14 May 2021. This will bring the full year dividend to 8.5 pence per ordinary share (2019: 4.7 pence).

H&T Group plc
Chairman's statement

The Group's financial position is strong with net assets of £134.5m (31 December 2019: £122.6m), £34.5m cash and bank balances (31 December 2019: £12.0m), and a £35.0m undrawn bank revolving credit facility (31 December 2019; £26.0m drawn, £9.0m undrawn).

OUR TEAM

We remain focused on doing the right thing for our colleagues, customers, and the communities in which we operate. The health and safety of our colleagues and our customers remains paramount. In preparation to reopen our branches in May as an essential service provider, we invested in training, safety measures and PPE for our colleagues to deliver our services in a way that is safe for them and our customers.

The loyalty, dedication and expertise of our colleagues is at the core of our strong customer relationships. We continue to invest in training, development, and progression of our valuable staff. The Group is proud of its culture that fosters passion and enthusiasm to deliver exceptional customer service and outcomes.

In October 2020 we announced the appointment of Chris Gillespie, replacing John Nichols as chief executive officer subject to FCA approval, which was received on 8 January 2021. I thank John on behalf of the Board for his nearly 24 years of service and we wish him a long and happy retirement. Chris brings a wealth of experience to the business including previous senior roles in consumer finance, most recently as managing director of Provident Financial PLC's consumer credit division. Chris' understanding of our business and our customers, and his expertise will enable us to accelerate our strategy to blend our combined store and digital networks to serve our customers and communities and further broaden our reach.

STRATEGY

Following the 2019 acquisitions of certain assets from the Money Shop and Albemarle & Bond the Group has an enlarged store estate and customer reach, together with a talented team to serve them. We have a strong asset base, significant cash reserves and highly cash generative products and services, this will enable the Group to exploit further growth opportunities as they emerge.

The demand for small-sum, short-term cash loans has been subdued over the past 12 months and this is likely to continue for some time. The Group will continue to focus on its digital development journey to better support our store colleagues, and on its operational effectiveness to improve customer experiences. It will focus on customer experience and communication strategy to ensure that H&T is in the best position to deliver excellent service for customers when they need us.

We will invest in our network of stores, supported by further digital enhancements, and thus reinforce the important distinction between H&T and a purely online business.

REGULATION

The Group continues to work with the appointed Skilled Person and the FCA in respect of the review into its creditworthiness assessments and lending processes for its unsecured High-Cost Short Term Loans (HCSTC). Given the ongoing disruption from the pandemic, the outcome of this review will now likely be delayed into the second quarter of 2021.

PROSPECTS

The start of 2021 has brought ongoing challenges with the continuation of further national restrictions across the UK. While H&T has been able to keep its stores open, as its financial services are classified as essential by the Government, business activities have been impacted by reduced high street footfall and subdued demand for its services. The Group has been offering retail jewellery only via its eCommerce platforms since early January 2021, and this has impacted sales levels significantly during the first quarter of the year.

The UK faces further macroeconomic uncertainties resultant from the Brexit transition. The Board consider the impact on our staff, customers and our business activity to be limited. While the macroeconomic impact of these risks is uncertain, we believe our range of products is well positioned to take advantage of any eventuality.

OUTLOOK

The extent to which social distancing and pandemic restrictions remain necessary will determine the pace at which the Group returns to pre-pandemic activity levels. A successful roll-out of the vaccine program will likely lead to increased demand for our services and will determine the extent to which we are able to rebuild our pledge book.

H&T Group plc
Chairman's statement

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

The strategic report discusses the following areas:

Supporting our customers, whenever, wherever and however they need us

WHO WE ARE

H&T was established in 1897 in London making it one of the oldest pawnbrokers in the UK. As at 31 December 2020 H&T is the largest pawnbroking business in the UK by size of pledge book. H&T is an active member of the local communities in which it operates and serves. For example, the store in Edinburgh has operated from the same building and served the same community for more than 150 years. Customer service excellence across a range of good value products and services coupled with a commitment to the high street underpins H&T's approach.

H&T's listing on AIM in 2006 provided the Group with access to new sources of finance. This has enabled its development by adding new products and services and bringing the store network to 253 as at 31 December 2020 (2019: 252).

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

OUR STRATEGY

"To make pawnbroking a widely accepted and valued financial service by ensuring that borrowing against an asset is simple and inclusive, alongside offering a suite of transparent products and services which exceeds our customers' expectations."

There are three elements to delivery of the strategy:

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

OUR CUSTOMERS

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

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

OUR PERSONAL SERVICE

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

Our products, our channels,

OUR PRODUCTS

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

Pawnbroking

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

Personal loans

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

Jewellery retail

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

Purchasing

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

Foreign exchange

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

Cheque cashing

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

Money wire transfer

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

OUR STORES

During 2020 our store investment programme was largely driven by the Covid pandemic and our need to ensure that our estate was secure and safe for our customers and colleagues to operate. Each store was fitted with additional screening, social distancing measures and hand sanitising stations.

We continued our store design evolution with several store refits and the exciting launch of our new retail concept store in Woking.

The bright and open environment will support our ambition to make Pawnbroking more accessible to a wider audience alongside supporting our desire to attract new customers.

The Money Shop and A&B integration continued with the decoration of all stores and several stores now offering jewellery retail which continues in to 2021 with a full store retail rollout.

The continued investment in the store estate reaffirms our commitment to maintaining High Street presence and supporting the local communities we serve.

Our customers continue to tell us that our store teams have been invaluable during the challenges of 2020 which has also been supported by our digital development strategy.

OUR DIGITAL DEVELOPMENT

We are adoption an Enterprise class eCommerce platform which will support future growth of our digital journey and improve our overall customer experience

Additional on-line payment channel was enabled to allow customers to transact and to manage their accounts remotely and make payments with us whilst the stores were shut or out of business hours.

The introduction of the online application process for Pawnbroking now allows customers to transact in a manner that suits them, a customer can now start the process online, we can collect the items and transact fully remotely or the customer can deliver the item to a local store and complete the process in store should they so choose.
Our operating method will continue to evolve to support the needs of the customers and communities we serve.

Our Marketing

2020 for Marketing at H&T was a year of change. The onset of the pandemic accelerated our focus on digital marketing and the need to interact with our customers in ways that worked most effectively for them.

The core theme of our communications was centred on making sure our customers knew we continued to be there to support them during Covid. We also built awareness of the ways that people could have a conversation with us – either about our financial services products, or our range of jewellery and watches.

- Email communications helped keep our customers up to date on everything Covid related and answered questions that we regularly received.

- Social media played a key role in giving regular updates and our content helped to inject some positivity during lockdown.

- We did extensive work on our website so our customers could manage their products increasingly effectively remotely – this is an area that we will continue to focus on to ensure that in future our customers are able to transact with us in the way that suits them best.

During the year we also:

- Worked closely with our store colleagues to make sure that our communications gave our customers reassurance that our stores were Covid secure – in-store communications continue to be a core part of our overall marketing strategy.

- Continued to build our understanding of our customers and what matters to them - a cornerstone of our strategy. During 2020 we ran focus groups which gave us with valuable insights to help shape our future marketing activity.

- Started to broaden awareness of what we offer through targeted advertising and communications.

- Expanded our focus on retail – not only in store but through our website. As with our financial services, we want to ensure that everyone can access our jewellery and watches in the way that suits them best – whether online or in-store. This is an area that we will continue to build on.

As we move into 2021, we will continue to build our relationships with our existing customers through our Marketing, making sure that we communicate with customers in ways that they find most useful, whether that is via our website, through emails or via SMS updates. We are also building brand awareness to help people who have not yet had a conversation with consider visiting us in stores or online to find out more about what we do and how we may be able to help them.

CUSTOMER DEMOGRAPHICS

	Pawnbroking	Personal loan	Retail	Purchase	TPC	FX
Male	48%	54%	45%	46%	70%	57%
Female	52%	46%	55%	54%	30%	43%
18-24	6%	5%	6%	8%	15%	10%
25-35	23%	23%	20%	23%	34%	22%
36-44	24%	23%	18%	19%	23%	16%
45-55	25%	28%	19%	20%	17%	18%
Over 55	22%	21%	37%	30%	11%	34%

CUSTOMER FEEDBACK

(Source: Trustpilot)

H&T has 3,632 Trustpilot reviews with 96% of reviews rated as excellent.

Had an online chat with Ian today because I was worried about not being able to redeem my items – Ian was quick to respond and reassure me that my items were safe and put my mind at rest. The staff at Hastings H&T also went above and beyond to assist me when I was left without gas or electricity for 32 hours during storm Dennis – cannot praise this outstanding team highly enough.

Been a long-time customer of H&T. I mainly use my local branch, but obviously due to all our current circumstances they have adapted to conducting business online. Still a great, prompt and fair service. Jean was very helpful and sorted my enquiry in a matter of minutes over live chat. Can't fault the service, keeping customers happy in these most difficult of times. Keep up the great work!

Jenna is an outstanding member of your team and I am very grateful for her informative and helpful advice which has cleared my anxiety on the subject of stores closed during pandemic etc... Thank you Jenna and H&T.

Excellent service. Quick and fair quote, received a pre-paid special delivery package within days, money in my account within hours of being confirmed. Very impressed I must say. If you have any unsentimental jewellery kicking about I'd highly recommend.

Chief executive's review

INTRODUCTION

The Group has performed resiliently through a challenging year and ends 2020 in a robust position. All revenue categories have been impacted by Covid-19 restrictions, lockdowns, reduced high street footfall and temporary reductions in the demand for our services. Throughout the year we have communicated regularly with our customers and colleagues and maintained safe store and support centre environments.

The Group achieved profit before tax of £15.6m (2019: £20.1m) despite these challenges, showing the underlying resilience of the business

THE MARKET

During 2020 Covid-19 restricted our activities and reduced consumer need for some of our products and services. The increased gold price and IFRS9 accounting treatment that requires high initial impairment charges, helped the results. The core of our business remains strong and we will continue to invest in the development of our people and our infrastructure. We will continue to refine our services as we seek to expand our customer base.

STRATEGY

The Group's strategy is to serve a customer base whose access to mainstream credit is limited and for whom small-sum loans can help to address short-term financial challenges. We are a cash generative business, well placed for growth through product diversification and investment in our store estate and digital strategy.

Our Vision: "To make pawnbroking a widely accepted and valued financial service"

Our purpose is to meet the real need for lending in the community across the UK, by ensuring that borrowing against an asset is simple and inclusive. We aim to exceed our customer's expectations in this and in the development of a diversified suite of services (including retail, personal lending, FX and money wire transfer) that improves returns and reduces the Group's exposure to gold price volatility.

REVIEW OF OPERATIONS

Pawnbroking

Pawnbroking is a small subset of the consumer credit market in the UK and a simple form of asset-backed lending where an item of value, known as a pledge (typically jewellery and watches), is given in exchange for a cash loan. Customers who repay the capital sum borrowed plus interest receive their pledged item back. If a customer fails to repay the loan, we sell the pledged item via auction, retail or for scrap. The value of the item is set by auction, whether it is the reserve, or the actual sale price should it sell. After the deduction of interest accrued plus an admin fee, any surplus is passed back to the customer. Title to any unsold items passes to the company.

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

During the year revenues were impacted by Covid-19 in several ways. During the spring lockdown our stores were closed for around two months. Throughout the closure period, no interest was charged. Upon reopening in May, many of our customers who had built up cash reserves, in part due to reduced spending, came in to collect their pledged items and repaid their loans. This resulted in a decline of the pledge book in Q3 2020. We have since seen the book stabilise, but we have yet to see the full return of consumer demand for short term loans as lockdowns, restrictions and furlough support continue.

Retail

The Group offers a value-for-money proposition in new high quality and pre-owned jewellery. We believe there is further growth potential in this segment by leveraging our retail store estate and our eCommerce operations as well as by cross-selling to customers of other services. The Group was unable to retail from our stores during the national lockdowns, instead offering items through its eCommerce sites and via a click and collect service during the most recent lockdown. During the months unaffected by lockdowns, the months of July to October and particularly during December sales were especially strong.

Our eCommerce sites generated revenues of £3.6m (2019: £4.0m). In November, we updated our "est1897" website, which holds more than 5,000 high quality pre-owned watches and jewellery items.

Personal loans

H&T offers unsecured loans in store and online. Our dedicated underwriting team carry out manual affordability assessments prior to issuing any loans.

We ceased offering high-cost-short-term-credit unsecured (HCSTC) loans in October 2019, with all lending paused in March when we closed our stores. From August we recommenced non-HCSTC lending, taking a very cautious approach with a modest number of loans being made.

Our absence from HCSTC lending, the reduced loan book, limited current lending during 2021 and the uncertainty surrounding the future of unsecured personal lending for the Group will have a financial impact in the future.

During the year we worked with the FCA and a Skilled Person to review our unsecured HCSTC loans. This process is still ongoing, primarily as a result of Covid-19.

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

Chris Gillespie
Chief Executive

Gross profit breakdown

Pawnbroking	49.3%
Retail	14.3%
Gold Purchasing	8.6%
Pawnbroking Scrap	7.8%
Personal Loans	12.4%
Other Services	7.6%

Store development

	2016	2017	2018	2019	2020
Acquired	-	-	1	70	1
New Stores	-	-	-	-	1
Closed	(8)	-	-	-	(1)
Estate Total	181	181	182	252	253

End of period sterling gold price (£ per troy oz)

2016	927.4
2017	954.4
2018	1005.4
2019	1157.8
2020	1382.6

Average sterling gold price (£ per troy oz)

2016	927.0
2017	976.5
2018	950.1
2019	1093.8
2020	1379.1

Chief financial officer's review

FINANCIAL RESULTS

For the year ended 31 December 2020, gross profit decreased 18.3% from £101.4m to £82.8, reflecting the impact of Covid-19 with associated store closures and reduced high street footfall. Despite freezing interest on customer's secured loans, reduced demand for short term loans and international travel restrictions impacting foreign currency volumes, the Group delivered profit before tax of £15.6m (2019: £20.1m). Group results benefitted from the high gold price and the IFRS9 financial impact of impairment releases as our lending books reduced during the year.

The increased gold price during the year was the key factor in combined revenues from gold purchasing and scrap increasing by £4.8m, 58.5% to £13.0m (2019: £8.2m).

H&T received £3.8m in government support payments, included as 'other income' (see note 2) in relation to the Job Retention and Business Rate support schemes.

Total direct and administrative expenses reduced by £13.0m (16.5%) to £65.9m from £78.9m.

Total loan impairment charges (included within direct and administrative expenses) at £6.4m are down £14.4m on prior year, with pawnbroking and personal loan impairment charges respectively £5.4m and £9.0m lower. This is a result of reduced lending and the consequence of not having to charge the proportionally high amounts of initial impairment charges on new loans. Other things being equal, IFRS9 impairment accounting results in a drag on reported earnings as loan books grow relative to IAS 39's incurred loss models and vice versa as the book reduces.

The pawnbroking and personal lending books have reduced by £23.9m and £10.7m respectively since 31 December 2019.

Pawnbroking

Gross profits from pawnbroking after impairment reduced 12.3% to £34.2m (2019: £39.0m) and the pledge book reduced 33.1% to £48.3m (31 December 2019: £72.2m). The Group lent £114.6m during the year (2019: 149.0m) and had 76,500 customers with existing loans as at 31 December 2020 (31 December 2019: 118,700).

The risk-adjusted margin (revenue as a percentage of the average net pledge book) was 58.1% (2019: 64.6%). The reduction reflected the interest freeze of approximately two months during spring. Typically, pre lockdown the Group was recognising circa £4.0m per month in net pawnbroking revenue. The reduction in the pledge book meant a reversal of approximately £2.5m of impairment charges in the year under IFRS9. The rate at which customers redeem their pledges has remained consistently high and is essentially unchanged from 2019 at 82.2%.

	2020 £'m	2019 £'m	Change %
Year-end net pledge book[1]	48.3	72.2	(33.1%)
Average net pledge book	58.9	60.4	(2.5%)
Revenue less impairment	34.2	39.0	(12.3%)
Risk-adjusted margin[2]	*58.1%*	*64.6%*	

Notes to table
1 - Includes accrued interest and impairment
2 - Revenue as a percentage of the average net pledge book

Retail

Retail sales for the full year reduced 28.2% to £29.8m (2019: £41.5m), gross profits reduced 16.9% to £11.3m (2019: £13.6m) and margin increased to 37.9% (2018: 31.8%). Margin increase was a consequence of fewer promotional activities in the year compared to prior year.

The Group reduced its investment in average retail inventories held during the year by £0.8m or 2.6% to £29.8m (2019: £30.6m).

Personal loans

The net personal loans book has reduced by 64.5% to £5.9m (31 December 2019: £16.6m). Revenue less impairment has reduced by 25.0% to £8.1m (2019: £10.8m) as the Group has reduced its volume of lending.

The increase in the risk-adjusted margin (RAM) to 79.4% (2019: 56.3%) is a consequence of the collect out of the loan book, with a reversal of impairment charges under IFRS9 accounting of approximately £2.0m and further tightening of credit risk assessments for the lending made in the year. Other than 40 sample loans made as part of the S166 review, all lending in the year was non-HCSTC, a total of £4.8m of lending was made in 2020 (2019: £30.0m).

Impairment as a percentage of the average monthly net loan book was 17.3% (2019: 49.8%), reflecting the increased mix of lower yield, higher quality loans and the wind down of the book.

	2020 £'m	2019 £'m	Change %
Year-end net loan book	5.9	16.6	(64.5%)
Average monthly net loan book	10.2	19.2	(46.9%)
Revenue	9.8	21.5	(54.4%)
Impairment	(1.7)	(10.7)	(84.1%)
Revenue less impairment	8.1	10.8	(25.0%)
Interest yield[1]	*96.1%*	*112.0%*	
Impairment % of revenue	*17.3%*	*49.8%*	
Impairment % of average monthly net loan book	*16.7%*	*55.7%*	
Risk-adjusted margin[2]	*79.4%*	*56.3%*	

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

Pawnbroking scrap

The average gold price during 2020 was £1,379 per troy ounce (2019: £1,094), a 26.1% increase. The gold price directly impacts the revenue received on the sales of scrapped gold.

Gross profits increased by 148% to £6.2m (2019: £2.5m). Increased margin, driven by the high gold price, accounts for £3.0m of the increase, with £0.7m accounted for by increased volume of activity.

Gold purchasing

Gross profit increased by £1.1m to £6.8m (2019: £5.7m). Increased margin contributed £1.9m to the GP increase with an 11% decrease in the volume of gold sold offsetting the uplift by £0.8m.

Other services

Other services principally comprise trading activities of foreign currency exchange (FX), buyback, cheque cashing and money-transfer. Gross profits from these activities reduced to £6.0m (2019: £9.0m).

FX, cheque cashing and buyback revenues all declined in the year with gross profits from FX reducing to £3.4m (2019: £5.2m), cheque cashing reducing to £1.2m (2019: 1.5m) and buyback reducing to £0.3m (2019: £1.7m). Money-transfer revenues increased to £1.1m (2019: 0.3m). The buyback operation (the purchase and sale of mobile phones and tablets) was ceased early in the year.

Other income

Other income of £3.8m (2019: nil) comprises HM Government job retention scheme and rate grant monies.

Costs

Taking out the impact of loan impairment charges, the Group's aggregated direct and administration costs increased by £1.4m, 2.4%. The uplift is primarily a result of the full year impact of operating the additional 70 stores acquired during 2019, partially offset by some operational and transactional cost reductions while stores were closed. We have incurred some additional Covid-19 related costs, associated with ensuring colleague and customer safety.

Debt finance costs fell to £0.5m (2019: £0.9m), as the Group paid down its borrowing in full during the year. The reduced borrowing is a direct consequence of the reduction in our personal and pawnbroking lending books.

CASH FLOW

The reduction in lending books during the year resulted in a £29.6m increase in operating cash flow to £55.4m (2019: £25.8m).

Total increase in cash during the year was £22.5m after repaying £26.0m of borrowings, with net cash of £34.5m (31 December 2019: £12.0m). As at 31 December 2020 the £35.0m revolving credit facility was undrawn. This facility, together with the strong cash position provide the Group with the funds required to deliver its current strategy.

BALANCE SHEET

As at 31 December 2020, the Group had net assets of £134.5m (2019: £122.6m), no debt and £34.5m cash (2019: £12.0m). The Group was well within banking covenants with a net debt to EBITDA ratio of nil (2019: 0.58) and an EBITDA to interest ratio of 49.9 (2018: 30.4) (see note 3 for the definition of EBITDA).

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

GOING CONCERN

The Group has considered the impact of Covid-19 on its financial statements. The Group has significant cash resources of £34.5m and access to an undrawn £35.0m revolving credit facility with an expiry date of June 2022.

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 values are impaired. The Group has also considered impairment of its right-of-use-assets (property leases). A total impairment charge of £0.5m (2019: nil) has been applied in respect of its right-of-use-assets.

SHARE PRICE AND EPS

At 31 December 2020 the share price was 258p (2019: 338p) and market capitalisation was £102.6m (2019: £134.3m). Basic earnings per share were 32.1p (2019: 43.9p), diluted earnings per share were 32.1p (2019: 43.8p).

Richard Withers
Chief Financial Officer

H&T Group plc

Directors, officers and advisers

Principal risks and uncertainties

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

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

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

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

Area	Description of risk	Examples of mitigating activities
Regulatory risk	Loss arising from a breach of existing regulation or regulatory changes in the markets within which the Group operates.	• Experienced Board both in credit and FCA regulated businesses • Three lines of defence with dedicated Internal Audit and Risk & Compliance functions • Completion of the annual risk-based compliance monitoring plan • Well-developed procedures, training, systems and operational controls • Head of risk & 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
Operational resilience and Business Continuity	Risk of disruption to the Groups operations and revenues due to one or more operational incidents or natural disasters.	• Store network is distributed throughout Great Britain • Online portal created for customers to manage pledge agreements • Investment in group websites • Support functions capable of remote working • Core systems and data secured through high availability cloud providers • Online Pawnbroking launched • Stores able to work on standalone basis for periods
Gold price	A significant fall in the gold price impacting the security of pledge and the revenues from scrap operations.	• 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

H&T Group plc

Directors, officers and advisers

	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.	• Annual testing of forecasts sensitised for gold price • Maintenance of appropriate margin between pledge value and gold price (LTV's) • Lending on alternative high value items • Focus on increasing redemption rates to minimise reliance on disposition • Increase retail sales as a disposition hedge
Theft and fraud	Loss of inventory or pledge	• High levels of physical security • Insurance for material losses • Systems and procedures to minimise risk
	Internal theft and fraud	• Ensure staff are highly motivated • Avoid lone working to reduce opportunity • Loss prevention team visits to each store at least twice a year • Loss prevention team focused on loss prevention and other manipulation for personal gain • Financial crime and transaction monitoring capabilities enhanced • Fair, ethical, compliant and competitive incentive schemes and other benefits offered
Reputational risk	An event or circumstance could adversely impact on the Group's reputation, including adverse publicity from the activities of legislators, pressure groups and the media.	• Consider regulatory and reputational impact of business changes • Maintain focus on competitive advantage of customer service • Ensure staff are highly motivated • Staff undertake a comprehensive induction course and formal programme of ongoing training • Ensure high level of compliance in product and service delivery • Ensure price or short-term earnings are not the dominant factor in decision making • Risk events are recorded and any customer or reputational impact is assessed and changes to systems and controls are made when necessary • Retained financial PR and media relations consultancy to provide ongoing reputation management support and media engagement • Monitoring the activities of claims management companies in the market • Complaints team work directly with the business to respond to customer complaints through process changes
Cyber security, denial of service and data loss	We continue to observe 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. The cyber-risk threat landscape is ever evolving.	• Utilise appropriate levels of industry standard information security solutions and best practice for critical systems • Network segmentation between core sites and systems to limit attack vectors • Conduct internal vulnerability testing and external penetration testing to identify vulnerabilities and deliver improvements

	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.	• Continue to monitor cyber-threats using internal and external resources and where necessary implement changes to combat this • Daily back-up and secure storage of all systems to minimise data loss • Improve staff threat awareness • Align business to ISO27001 security standards • Regularly reviews of employee access rights based on "minimum access" principles
Covid-19	Failure to implement social distancing in stores or office locations resulting in colleagues or customers becoming ill or transmitting the virus. Commercial risk leading to reduced profits and cash pressure resulting from: i) a necessity to close stores once more again should a new virus waive reoccur or ii) reduced product demand resulting from changes in consumer behaviour, e.g. less overseas travel or reduced high street footfall	• Risk assessments carried out for each location • 2- metre distancing rule applied by implementing distancing tape and restricting staff and customers to no more than two per store • Perspex applied to speech gaps in counter bays • Colleague and customer guidance regarding social distancing and hygiene measures communicated via posters, website and direct communications • Home-working implemented where possible • Regular communication to staff regarding latest Government guidelines, including self-isolation and hygiene factors • Awareness of the vulnerability status of colleagues who remain shielded • Online alternatives developed to service customer requirements – e.g. online pawnbroking, payment portal and online unsecured lending channels reviewed • Diversified product range ensuring reduced demand in one area does not overly impact the whole • The ability to generate cash via melting gold and collecting in loans even where stores are closed.

Financial risk management objectives and policies

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

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

Interest rate risk

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

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables, the most significant of which are the pledge book, the personal loan book and cheque cashing balances. In all cases, exposure on trade and other receivables is spread over a large number of counterparties and customers. See note 26 for further details.

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

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

The amounts presented in the balance sheet are stated at fair value and net of allowances for doubtful receivables. An impairment allowance is made at the outset of a loan based on expected losses based on forward looking information, previous experience and the anticipated cash flows. Where there is an identified loss on a loan this is taken into consideration and additional impairment applied as appropriate.

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

	Moody's credit rating	
	2020	**2019**
Barclays Bank plc	A1	A1
Lloyds Bank plc	A1	Aa3

The Group had no significant concentration of credit risk at year end other than on bank balances of £106,000 with Barclays Bank plc (2019: £42,000) and £26,215,000 (2019: £2,018,000) with Lloyds Bank plc.

Liquidity risk

To maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. At 31 December 2010, the Group had £35.0m (2019: £9.0m) headroom on its current borrowings and remains in full compliance with all loan covenants. The Group facility with Lloyds Bank plc allows for maximum borrowings of £35.0m (2019: £35.0m).

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

Directors, officers and advisers

Financial risk management objectives and policies (continued)

Price risk

With regard to the current balance sheet position, the Group is not exposed to price risk as the majority of its jewellery and all of its scrap gold is obtained through unredeemed pledges, which have a cost to the Group which is lower than the retail value. The Group is however exposed to adverse movements in the price of gold in its gold scrap activities and the value of the pledge collaterals. Should the price of gold drop significantly, the Group can mitigate that risk by changing its lending policy on pawnbroking pledges or by entering into hedging arrangements. Currently the Group has no gold hedge in place, although this is reviewed by the Board on a regular basis.

Exchange rate risk

While the Group's activities are largely conducted in the United Kingdom, the Group is impacted by foreign currency exchange rates affecting the gold price exchange from USD to GBP and the revaluation of foreign currency cash holdings in store. The impact of revaluation is monitored daily and hedging is utilised.

H&T Group plc

Directors, officers and advisers

Corporate social responsibility

SECTION 172 (1) STATEMENT

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its stakeholders. We continue to improve the Annual Report disclosures to ensure they give a fair, balanced and understandable assessment of the Group's position and prospects. We set out below information about all our key stakeholder groups, explaining how we engage and strive to develop collaborative relationships. In compliance with s172 Companies Act 2006, the Board plans to undertake its own stakeholder mapping process and review stakeholder engagement on an annual basis. The ongoing aim is to consider whether there are any ways in which this can be more effective. During 2021, we plan to carry out a new internal evaluation of Board performance and effectiveness, applying the principles of the Corporate Governance Code. No areas of material concern were highlighted from previous reviews.

How the Group observes principles 5 to 9 of the QCA code is detailed on pages 36-31. Here we discuss how we ensure the Group's board functions appropriately, how it ensures an appropriate corporate culture is embedded and how effective decision-making takes place.

During 2020 the most important examples of the Board acting to consider all stakeholders in determining its course of action were in relation to the FCAs Section 166 review of historic lending in High-Cost Short Term Credit (HCSCT). The Board established a Steering Committee that included the members of the Executive and non-Executive in conjunction with the Groups advisors' team. The Board also scrutinised the Groups actions and plans in place to respond to the Coronavirus pandemic where it was key to assess the impact on all of our stakeholders. An example of an outcome of these reviews was the decision the Group made to support its pawnbroking customers by freezing interest while stores were closed.

OUR SHAREHOLDERS

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

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

On page 34 we set out in further detail how the Group complies with principle 2 of the QCA (meeting shareholder needs and expectations).

OUR CUSTOMERS

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

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

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

H&T's commitment to meeting the needs of those excluded from mainstream credit, through the creation of a range of simple, fair and accessible products is at the heart of the way we do business. Our breadth of services from purchasing, pawnbroking and personal loans, provide customers with a range of simple options to raise cash when needed. We regularly review our products and services to ensure they continue to meet the changing needs of our customers.

We have made significant progress in developing a range of loan products which provide customers with the opportunity to repair and rebuild their credit history with us as they can move onto cheaper rate products.

We are committed to our local community and strive to offer a world class face to face service, providing customers easy access to well-trained people. Our online offering provides an alternative, giving them greater choice. We continually invest in system improvements, taking into account feedback, in order to improve quality standards and the customers' experience.

OUR PEOPLE

At H&T we recognise that our people are a highly important asset, and we ensure our workforce are highly trained, motivated and rewarded. The Health and Safety of our people and customers remains paramount, and while our branches have remained open during the Coronavirus pandemic as an essential service provider we have invested in training, safety measures and PPE for our colleagues to deliver these essential services in a way that is safe for them and our customers.

<u>Training and development</u>
2020 has seen a continued commitment to support our colleagues in developing their knowledge and skills. A new store development programme, Aspire was launched. The programme is built on the completion of 5 modules and is supported by pay progression. Regular development discussions are held and 88% of our teams feel that they receive the training they need to be able to do their job. During 2020, 4 colleagues embarked on Apprenticeship schemes and this opportunity will be expanded during 2021.

Colleagues also have access to an online learning and development library so that they can take the opportunity to develop in areas either linked to their role or in areas to assist their future development.

Additional resource has been added to the Learning and Development team to recognise the importance of continuous development. H&T continue to develop the e-learning platform that was implemented in 2019 to provide a dedicated learning and development experience for all colleagues. For 2020, the average learning time recorded via the e-learning platform (including e-learning, virtual workshops and face to face before Covid) was 3 hours per colleague. This is in addition to on the job coaching and development linked to the Aspire Programme or general development activity.

Covid Considerations

It has been critical to protect and keep safe our colleagues as our stores have remained predominantly open during the year. We undertook thorough risk assessments across all of our sites and considered how we could support our employees during this time.

Communication was critical and this led to a weekly communication from the CEO to all employees. The messages reiterating government advice and the Group's alignment with this advice. We have encouraged and promoted regular communication across teams and provided support through our Employee Assistance Programme and the provision of dedicated training. In our recent survey, 88% of our colleagues felt that they were well communicated to during this time.

We also supported our teams with payments over and above our standard policies when our colleagues were ill or required to self-isolate. We implemented strong reporting protocols in order to know how our colleagues were and to help us understand how we could support them. We maintained active communication and consultation with our employee representatives as an additional source of feedback and the opportunity to understand the challenges and the support was required across our sites.

We have continued to develop our teams during the year and rapidly converted our face to face training events for induction and initial store training into virtual webinars. We have been delighted to see a huge level of engagement in these events from across the company.

Reward and recognition

In 2020, the colleague pension scheme was reviewed and has been transferred to a new provider which will offer lower administration charges, a more effective digital platform to support colleagues with their pension planning and improved financial education. This coincided with a change in pension advisors who will launch a more active financial education programme.

Our broad range of benefits available have been promoted through updated pages on the company intranet site and through campaigns.

Employee engagement

Your Voice employee forum meetings provide regular employee engagement and in 2020, more formal business updates and structure has been added to these meetings. A further review is currently underway to ensure that these forums are most effective in engaging with our colleagues and gaining their feedback on key employment topics.

In November we formally checked in with our colleagues through a short pulse employee engagement survey. Results have been reviewed and key actions will be implemented to enhance employee satisfaction. In addition, 2020 has seen a further reduction in employee turnover to 17% (2019: 23%).

In April 2021, we will be launching a new business tool to support all colleagues providing online access to employment details, payroll documents, performance management information and development records. It will provide more transparency of data, ownership of data and removal of manual and paper based processes.

Internal appointments

As a growing organisation, we continue to provide internal job opportunities for our existing colleagues and ensure that all vacancies are advertised internally. 56 of our vacancies were filled by internal applicants, 51 secondments were filled and this helped to retain great people within our business.

As specialised knowledge is important within our store network in particular to increase skilled lending and retailing knowledge and maintain customer and community relations we value experience and recognise long service from 5 years onwards in five yearly increments. During 2020, 157 employees received a long service award. Due to CoronaVirus, a virtual lunch was held and hampers sent to all who were celebrating their long service. Two of our colleagues had achieved 30 years service with the company.

Our average length of service per employee is 5 years, with:

53% of our employees having less than 3 years service
14% of our employees having between 3-5 years service
16% of our employees having between 5-10 years service
17% of our employees have more than 10 years service

<u>Diversity and inclusion</u>

H&T Group plc

Directors, officers and advisers

It is essential that our workforce reflects the diversity of our customers and we continue to offer career opportunities without discrimination for internal mobility opportunities and for new candidates. All colleagues, customers and stakeholders hold unique talents and perspectives, and this is valued by the company to ensure that we can drive success for our business and our customers.

We aim to foster an inclusive culture where individuals feel confident in bringing their whole selves to work, feel included and their talents are nurtured, empowering them to contribute fully to the Group's vision and goals.
Whilst acknowledging the importance of diversity, appointments in the Group, are based purely on merit and not according to personal characteristics such as race and gender. We have looked to attract a broader range of candidates ensuring greater diversity in our recruitment process, ensure that all roles were advertised internally and externally, enhance our selection process to be more structured and provide all candidates with effective feedback to support their career ambitions.

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

	Full Time	Part Time	Total
Male	314	36	350
Female	638	427	1,065
Total	**952**	**463**	**1,415**

Board of Directors

Male 5 (83%)
Female 1 (17%)

Senior management (non-board Directors and department heads)
Male 6 (55%)
Female 5 (45%)

Regional managers
Male 1 (50%)
Female 1 (50%)

Area managers
Male 9 (50%)
Female 9 (50%)

Our age profile information below sets out the breadth of representation we have across our organisation with the average age of our employees as 37 years old.

Under 20	18	1.3%
Between 20 - 30	388	27.40%
Between 30 - 40	491	34.7%
Between 40 - 50	281	19.9%
Between 50 - 60	181	12.8%
Between 60 - 70	50	3.5%
70 and over	6	0.4%

We are monitoring the ethnic diversity of our workforce. At the moment, we only have data from 47% of our colleagues and out of 663 colleagues sharing their data, 31.8% of our colleagues do not identify as White British. A new system launching in 2021 will enable all employee data to be refreshed and reviewed, with colleagues being encouraged to record data to assist us with monitoring the make up of our workforce.

H&T continue to monitor colleague feedback with 87% of our colleagues reporting recently that they are treated equally regardless of their gender, age, ethnicity, sexual orientation, or other unique characteristics. H&T will continue to improve on this feedback through identifying areas of improvement.

OUR SUPPLIERS

During the year we expanded our Procurement function. This helped us to further develop our strategy of building long-term partnerships with consistently reliable suppliers that comply with all applicable trading standards, meet our agreed service levels, and help us to achieve our CSR objectives. An example of this was the introduction of our new vendor sourcing process, using a Request for Proposal (RFP) and weighted scorecard, to select our new supplier of Office Products, Marketing Print and PPE. We incorporated CSR within the tender requirements and as a result, we have partnered with a vendor that will greatly help us to reduce our carbon footprint. We have already cut our order deliveries by 31% and increased the number of ethically sourced cleaning products by 47%.

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

We introduced an internal vendor governance framework across H&T and a Procurement and Vendor Management Policy which will ensure we will follow best industry practice for effectively managing our suppliers, mitigating vendor risk through due diligence and risk monitoring and controls, and identify and realise strategic cost saving opportunities.

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 complete reviews 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.

ENVIRONMENT

H&T have worked on identifying aspects of environmental impact during 2020 and identified areas of improvement and set targets:

- our energy supplier is providing 100% renewable energy to the whole H&T estate
- 57 locations have LED lighting installed in 2020 (21% of our estate) and a further 60 installations planned in 2021 (total of 46% of our estate).
- Light sensors being installed to turn lights off when not required
- 2020 has seen a dramatic reduction in business travel following the restrictions of CoronaVirus
- Increased use of technology to facilitate meetings and team interactions remotely
- No waste to landfill from April 2021
- Target of 75% of waste recycled by the end of 2021
- 98% of our pre-owned jewellery is either recycled, repurposed or reused by the end of 2021
- 85% reduction in paper usage compared to 2019, by the end of 2021

We have reviewed our supplier for Goods Not For Resale and environmental management was a key part of the selection criteria. This will enable our locations to order only what they require, choose from environmentally friendly products, optimise the deliveries and provide a carbon offset scheme. In 2021 this relationship will be broadened to reduce the number of vendors delivering direct to our locations and amalgamate deliveries through one main distribution centre.

OUR COMMUNITIES

The communities we support are a core part of the H&T family and our colleagues are passionate about doing everything and anything to ensure our customers are taken care of. Many of our colleagues undertake voluntary and charitable support as just a way of life and this builds the relationship that we have with our customers.

During the pandemic, H&T set aside a pot of £25,000 to donate to smaller charities where our colleagues were actively involved either as volunteers or beneficiaries of their support. We supported 6 charities from across the UK and these were nominated for by our colleagues.

Having listened to our colleagues, 2021 will see the launch of a partnership with FareShare, the UK's biggest charity fighting hunger and food waste. On behalf of our colleagues, the company will donate money each month plus any colleagues who contributes to FareShare, the company will match their contribution. Our goal is to provide more than 200,000 meals during 2021.

H&T also provided a range of rainbow jewellery during the 2019 initial lockdown with proceeds going to the NHS as a thank you for their huge commitment and support in taking care of us; this raised £8,500.

OUR TAX POLICY

H&T Group has a clear tax strategy that guides our approach to tax payments and underpins our values as an organisation. H&T believe in acting with integrity, honesty and transparency to ensure that the organisation is correctly calculating tax payments, interpreting the tax rules in good faith and paying monies in a timely manner as required. The organisation secures tax advice as required to inform our approach and calculations and will take additional expert advice if required to ensure that these payments are accurate. The Board is informed and supports the organisation's tax strategy and approach.

GOVERNMENT AND REGULATORY BODIES

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

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

On page 35 we set out in further detail how the Group complies with principle 3 of the QCA (how we take into account wider stakeholder and social responsibilities).

Strategic report approval

This report was approved by the Board of Directors on 22 March 2020 and signed on its behalf by:

C D Gillespie

H&T Group plc

Directors, officers and advisers

Chief Executive
22 March 2021

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

H&T Group plc

Directors, officers and advisers

Christopher D Gillespie, 58
Chief Executive

Appointed
08/01/2021

Committees
None

Profile

Chris has excellent experience from senior roles in consumer finance including Barclays, Bradford and Bingley, Albemarle and Bond, Amigo Loans, 118118Money. Most recently Chris was managing director of consumer credit division at Provident Financial PLC.

External appointments
None

Richard J Withers, 53
Chief Financial Officer

Appointed
14/01/2020

Committees
None

Profile

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

External appointments
None

Peter D McNamara, 70
Non-Executive Chairman

Appointed
25/04/2006

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

Profile

Peter spent the majority of his career with Lloyds Bank plc, as chief manager for strategic planning, mergers and acquisitions, and then as the managing director of personal banking. He subsequently served as Group managing director of the Alliance & Leicester plc and chief executive of Wesleyan Assurance Society, a mutual life insurance business. In 2002 he left to become chairman and subsequently executive chairman of Moneybox plc, the leading ATM deployer operating in the UK, Germany and the Netherlands, which he led to flotation on AIM. In 2006 he set up a new ATM business, Notemachine Ltd and is the CEO.

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

James F Thornton, 64
Non-Executive Director
Senior Independent Director

Appointed
30/11/2012

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

Profile

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

External appointments
KCR Residential REIT Plc

Elaine F Draper, 58
Non-Executive Director

Appointed
01/05/2018

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

Profile

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

External appointments
None

Mark J Smith, 63
Non-Executive Director

Appointed
01/05/2018

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

Profile

Mark has significant experience of working in highly regulated businesses having spent the majority of his career working for blue chip banking organisations in senior Executive Management roles (including Chief Executive). He runs his own advisory business providing services to other major consulting business and clients, and was also a Non-Executive Director of GH Bank Limited at 31 December 2020 but has subsequently resigned.

External appointments

H&T Group plc

Directors, officers and advisers

		GH Bank Limited (resigned March 2021) and MJS & Associates Limited.

H&T Group plc
Directors, officers and advisers (continued)

Registered and head office and advisers

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

Broker and Nominated Adviser
Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

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

Addleshaw Goddard
60 Chiswell Street
London
EC1Y 4AG

Independent Statutory Auditor
PKF Littlejohn LLP
15 Westferry Circus,
Canary Wharf
London
E14 4HD

Bankers
Lloyds Bank plc
25 Gresham St
London
EC2V 7HN

Barclays Bank plc
1 Churchill Place
London
E14 5HP

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

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

H&T Group plc
Corporate governance

Compliance Statement

The directors recognise the importance of good corporate governance practice is in the best interests of all stakeholders of the business. Under the London Stock Exchange's AIM rule 26 the directors have adopted the Corporate Governance Code of the Quoted Companies Alliance (QCA). This corporate governance report sets out our governance framework and the work we have done to ensure good governance within the Group. We've detailed how we have complied with the ten principles of the QCA code. Our website at www.handt.co.uk will provide updates on compliance matters as appropriate.

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

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Our strategy is discussed in the Strategic report section on pages 6-25.

The Board is responsible for the delivery of the Group's long-term strategic objectives. Our high-level strategy is: "To make pawnbroking a widely accepted and valued financial service by ensuring that borrowing against an asset is simple and inclusive, alongside offering a suite of transparent products and services which exceeds our customers' expectations."

During the year the Group launched an online Pawnbroking proposition, allowing customer to complete fully remote loans for the first time. In addition, an online portal for Pawnbroking customers to manage their agreements was launched during the first national lockdown following the Coronavirus pandemic. An updated version of the retail website Est1897.co.uk was also launched. These developments continue our growth in the online and eCommerce sectors and help to establish H&T as one of the UK's leading providers of both pre-owned retail and financial services.

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

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

Principle 2: Seek to understand and meet shareholder needs and expectations

The Group is committed to engaging with its shareholders to ensure its strategy and performance is clearly understood. Feedback from investors is obtained through direct interaction between the CEO and CFO at one-to-one shareholder meetings following its full-year and half-year results and certain other ad-hoc meetings between executive management and shareholders that take place throughout the year.

The Annual General Meeting (AGM) is the primary method of engagement with our private shareholders, through both the distribution of the annual report and attendance at the meeting. We encourage our private and institutional shareholders to attend our AGM, and several individual shareholders attended the last meeting in May 2020. The voting record at the AGM is monitored and we are pleased that all resolutions have been passed by shareholders. There is also regular investor dialogue through the medium of the Group's corporate broker, Numis Securities, and the Group seeks to stay abreast of shareholder expectations and reactions through its regular investor roadshows and update meetings.

The Board recognises the importance of communications with shareholders. The chief executive's review on pages 12-15 include a detailed review of the business and future developments. There is a regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the year-end results and at the half-year results.

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

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

At H&T we believe that it is important to engage with our full range of stakeholders. Active engagement strengthens our relationships and helps us deliver our strategic goals whilst maintaining our values and delivering returns for all our stakeholders.

The fair treatment of our customers, whose interests are at the centre of all decisions and actions we carry out, is core to our long-term success. We have developed a diverse range of products to meet as best we can the unique needs of each customer. We offer a transparent, efficient and professional service and constantly review our products to identify areas for improvement. We consistently receive good feedback from our customers, our TrustPilot score is 4.9 (based on reviews up to February 2021), we also acknowledge that despite our best efforts things can go wrong, if customers have cause to complain, we listen to them and ensure that we remedy any mistakes made.

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

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

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

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

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

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

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

Responsible lending

The Group recognises that many people may require financial help at some point in their lives and we believe that everyone should have a choice in how to meet that need. As a responsible lender, we aim at all times to treat customers fairly. We will do our utmost to try to help, whilst at the same time ensuring our customers do not become unduly burdened. It is our priority to carry out stringent checks on all customers prior to loan approval. We complete root cause analysis in response to any customer complaints and adapt our processes and procedures in response.

H&T Group plc
Corporate governance

Modern slavery

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

Corporate and Social Responsibility

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

In the Community

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

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

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

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

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The Board comprises the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. Richard Withers, was appointed to the Board as Executive Director on 14 January 2020. Chris Gillespie was appointed as chief executive officer of the Group on 8 January 2021, following the retirement of John Nichols. Chris joined H&T in September 2020 as an executive director, as part of a planned succession for John. Chris has excellent experience from senior roles in consumer finance including Barclays, Bradford and Bingley, Albemarle and Bond, Amigo Loans, 118118Money. Most recently Chris was managing director of consumer credit division at Provident Financial PLC.

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

Attendance at Board and committee meetings:

	Board	Audit	Remuneration	Risk	Nomination
Peter McNamara	9(9)	3(3)	7(7)	3(3)	1(1)

James Thornton	9(9)	3(3)	7(7)	3(3)	1(1)
Mark J Smith	9(9)	3(3)	7(7)	3(3)	1(1)
Elaine Draper	9(9)	3(3)	7(7)	3(3)	1(1)
John Nichols	9(9)	N/A	N/A	N/A	N/A
Richard Withers	9(9)	N/A	N/A	N/A	N/A

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

In addition, the reviewing materials for Board and Committee meetings prior to attendance the NEDs are required to commit such time to the Groups affairs that allow them to discharge their oversight responsibilities. The NEDs also provide their skills and experience in assisting the Group with areas that complement their industry skills and experiences including strategy, acquisitions, risk management and regulation. The time commitment from the NEDs is a minimum of 25 days per annum.

The Directors of the Group and their biographies are set out on page 31. The Board has satisfied itself that between them the Directors have the necessary up-to-date experience, skills and capabilities. Each Director undertakes learning and development throughout the year to ensure their skillset remains up to date. Directors also complete the Groups annual mandatory training delivered through the e-learning platform, in addition, ad hoc training and updates are delivered as required throughout the year.

Independent advice

All Directors can take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors will have direct access to the advice and services of the Company Secretary and Finance Director. During 2020 the Board through the Risk Committee sought external professional advice in relation to the FCA skilled person review being undertaken on our historic High-Cost Short Term Credit loans and the affordability assessments undertaken. This advice included updates to our existing policies and procedures and the mechanics of the back-book review to redress any customers where historic loans may have been unaffordable.

The Senior Independent Director (SID) supports the functioning of the Board and acts as a conduit between the Executive and Non-Executive Directors. The SID attends the Steering Committee for the delivery of the FCA skilled person review, leads the internal Board effectiveness review and assists with preparation and approval of the annual report and accounts. The Company Secretary acts as a trusted advisor to the Board facilitating meetings and providing advice on legal and regulatory matters.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board recognises that regular performance evaluation is crucial for effective governance and the long-term success of the Group. In 2019 the Board completed a wide-ranging internal survey and follow up meeting to evaluate Board performances across a range of criteria covering strategy development and articulation, meeting the needs and objectives of shareholders, stakeholders and social responsibility, governance processes and accountability, risk management and internal control, and Board skills, capabilities, dynamics and performance.

Together the Board concluded a positive outcome but identified areas for improvement. The Board continues to monitor these and after discussion has decided to complete another internal review process in 2021, this review is underway and once complete any findings and actions will be published in future governance updates We are committed to continuous improvement and take seriously our obligation for developing our Board capabilities and effectiveness.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

Our corporate culture and ethical values are key to delivering the Group's objectives and strategic goals. The Board and management team work to ensure this culture is pervasive within the Group and all our employees share our collective values. During 2020 the Group trained all employees in their responsibilities in relation to the FCA's Senior Managers & Certification Regime, this training reinforces our existing training to ensure that our putting our customers at the core of everything we do. The Group's business model and strategy are aligned with the core principle of providing products that our customers value and ensuring that they receive positive outcomes whenever they engage with the Group. Our operational controls, staff training and culture ensure that we drive this consistent message across our business.

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

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board

The Board comprises two Executive Directors and four Non-Executive Directors and brings a range of experience and expertise sufficient to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The Non-Executive Directors hold shares as disclosed on page 46. There is no entitlement to share options for Non-Executive Directors, and there are no cross Directorships between Executive and Non-Executive Directors. The Non-Executive Directors are considered to be independent. The current Board membership and governance structure is being reviewed as the Group delivers on its growth plans. The first stage of this review will be the Board Effectiveness review which is currently underway, following this review external advice will be sought in regard the appropriate governance framework moving forward.

Board meetings

The Board is responsible to the shareholders for the proper management of the Group. A Directors' responsibilities statement in respect of the financial statements is set out in this financial statement on page 52.

The Board meets formally 9 times during the year. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of the Board meetings. There is a formal schedule of matters reserved to the Board which include the determination of strategy, approval of new stores and acquisitions, approval of budget and major capital expenditure.

At Board meetings, the standing agenda normally comprises a review of the management financial statements, a CEO review of operations, a review of new store proposals and potential acquisitions and an update on the progress of the Group's other strategic objectives. During the year, the Board hears from departmental managers and asks questions on their progress, issues and prospects.

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

Remuneration Committee

The Remuneration Committee comprises independent Non-Executive Directors of the Company. The members of the Committee are:
Mark J Smith (Chair)
Peter D McNamara
James F Thornton
Elaine F Draper

The Committee meets at least twice in each year and at such other times as the Chairman of the Committee sees fit. The Chairman of the Committee is appointed by the Board on the recommendation of the Nomination Committee. The quorum for the Committee is two. The duties of the Committee are to:

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

The Committee is authorised by the Board to:

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

Audit Committee

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

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

The Committee meets at least three times a year. The quorum for the Committee is two members.

The Audit Committee reviews the scope, results and cost-effectiveness of internal and external audit, and has delegated power from the Board to exercise the power from shareholders to agree fees for external auditors. The Audit Committee is responsible for satisfying itself on the independence and objectivity of external and internal auditors.

As directed by the Audit Committee, the principal function of the Group's internal audit team is to verify the design and operational effectiveness of all controls across the business. Within the store estate and Jewellery Centre there is a focus on physical presence and control procedures surrounding the cash, pledge and inventory balances. A small number of corporate audits are undertaken covering other aspects of the Group's key risks and financial controls. The internal audit team report to the Audit, Security and Compliance executive meetings and the Audit Committee reviews those minutes.The Committee reviews the operation of internal controls and reports to the Board on the annual review of the internal control and risk management.

During the year in order to establish a three lines of defence controls model as supported by the Board, splitting out internal audit functions and processes from compliance, the executive have conducted a series of interviews to appoint a Head of Internal Audit. This position was filled immediately following the year end and reports to the CFO in order to keep its reporting separate from the Head of Compliance who reports to the CEO. To ensure appropriate independence the Audit Committee on behalf of the Board reviews and agrees the Internal Audit plan for the year and the Head of Audit reports separately to and meets regularly with the Chair of Audit Committee, who reviews all corporate audit reports as they arise.

During the year the Committee oversaw the process for replacing Deloitte our previous external auditors for thirteen years who resigned on 2 November 2020. Prior to this date a comprehensive review of alternative audit firms was conducted by the H&T Group Plc CFO and the final selection of PKF Littlejohn LLP ("PKF") as auditors for the year ended 31 December 2020, was made in competition with a shortlist of alternative firms following a presentation by each firm to the Board. Deloitte issued a statement in accordance with s519 Companies Act 2006 that there were no circumstances in connection with its resignation which it considered needed to be brought to the attention of members and creditors. PKF reviewed the 2019 audit file on an open book basis and interviewed the prior year Deloitte audit team.

Please see audit committee report on page 39 for further information on the committee's' role in monitoring the integrity of the Group's financial statements.

Nomination Committee

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

The members of the Committee are:
Peter D McNamara (Chair)
James F Thornton
Elaine F Draper
Mark J Smith

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

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

Risk Committee

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

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

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

- the Group's risk appetite (the extent and categories of risk which the Board regards as acceptable for the Group to bear);
- the Group's risk management and internal controls framework (its principles, policies, methodologies, systems, processes, procedures and people);
- the Group's current risk exposure including horizon scanning for new and potential risk and the capability to manage those risks; and

- in respect of the processes and procedures, the arrangements for the identification, assessment, monitoring management and oversight of risk.

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

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

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

The Risk Committee reviews the regular reports of the Head of Audit and Compliance to oversee the operational effectiveness of the risk management framework and the current risk exposure measured through the Key Risk Indicators. The Committee also reviews the minutes and relevant reports of the Group's Credit Risk Committee.

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

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Audit Committee Report

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

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 2020 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 54 to 60.

Issue	Judgement	Role of the Committee
Impairment of personal loan receivables Personal loan receivables are impaired based on the number of payments missed based on the original loan agreement with the customer. Impairment is calculated using historical payment performance to estimate the value and timing of future payments for each level of customer arrears.	The key judgements in respect of the impairment calculation are: • The point at which to impair a loan account; and • Whether historical performance provides a suitable method to project future cash flows. This is a key audit matter for our external	Reviews analysis and recommendations produced by the executive team in respect of the required impairment. Reviews the methodology used and the performance of the models versus the actual result of prior periods. Consideration of the potential impact on future performance of factors such as: • Growth of the product • A range of external economic factors including consumer indebtedness • Changing business mix for product type and channel

	auditors and is detailed in their Independent Auditor's Report.	Reviewed the analysis in respect of the implementation of IFRS 9 for 2020.
Recognition of revenue and the associated revenue accrual in respect of pawnbroking Interest income is recognised when it has been paid, or is expected to be paid by the customer. The interest accrual is calculated by using estimates for the expected redemption profile of pawnbroking loans based on a range of historical performance data.	The key judgement in respect of the interest accrual is the determination of the correct redemption profile to use in the model. This is a key audit matter for our external auditors and is detailed in their Independent Audit Report.	Reviews the application of the agreed methodology and supporting calculations. Considers the impact and validity of any changes to the basis of the redemption predictions. Considers the impact of changing redemption trends and outcomes over time and how to implement them in the model.

Issue	Judgement	Role of the Committee
Impairment of goodwill The Group historically acquired a number of businesses and must consider whether goodwill requires impairment. The impairment is based on the future cash flows generated by each individual cash generating unit (CGU). Expected cash flows are based on the Group operating budget for the next year and assumptions for growth or decline in revenues and costs in future years.	The key judgement is in respect of the forecast cash flows for the CGUs.	Reviews the application of the agreed methodology and supporting calculations. Considers factors that may impact the future performance of the CGUs and whether that should be reflected in the forecast. Considers the sensitivity of the projections and the amount of headroom available before impairment is required.
Provisions relating to right of use assets The Group operates the store estate on a leasehold basis. Impairments are potentially required in respect of the carrying value of the CGU (lease). The impairment is based on the future cash flows generated by the CGU. Expected cash flows are based on the Group operating budget for the next year and historical performance.	The key judgement is in respect of the forecast cash flows for the CGUs.	Reviews the application of the agreed methodology and supporting calculations. Considers factors that may impact the future performance of the CGUs and whether that should be reflected in the forecast. Considers the sensitivity of the projections and the amount of headroom available before impairment is required.

Provisions relating to inventories and pawnbroking loans The Group has significant pledge and inventory balances whose value is supported by precious metals and tradeable assets. The Group considers the need to recognise a provision in respect of these balances if the net realisable value (NRV) falls below cost.	The key judgement in respect of the inventory provision is the calculation of NRV. NRV is based on the precious metal value where available or an estimate of the achievable sales price based on the age of the piece. The key judgements in respect of the pledge provision are: the NRV, the likelihood of the item not being redeemed and whether the item is likely to be retailed or scrapped. In both the inventory and pledge provision consideration is also given to specific provisions and to the estimated losses since the last physical audit in store.	Reviews the application of the agreed methodology and supporting calculations. Considers the overall adequacy of the provisions based on historical performance and changes in asset balances. Considers changes in the business or external environment which may impact on the recoverability, particularly gold price and redemption trends.
Provisions relating to S166 customer redress The Group has appointed a skilled person in respect of the review into its creditworthiness assessments and lending processes for its unsecured HCSTC loans.	The key judgement in respect of the redress provision is the extent to which the past business review methodology is accepted by the skilled person and the FCA as being appropriate.	Reviews the application of the agreed methodology and supporting calculations.

INTERNAL CONTROL

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

Internal control: financial

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

- Financial reporting: there is a comprehensive budgeting system with an annual budget approved by the Board. Monthly trading results are reported against the corresponding figures for the budget and previous year and reviewed by the Board. The Board also reviews re-forecasts on a regular basis.
- Capital expenditure: there is a comprehensive budgeting system for capital expenditure with an annual budget approved by the Board. The CFO authorises individual items of capital expenditure and material items are also authorised by the Board or CEO.
- Cash flow: an annual cash flow forecast is drawn up and approved by the Board and actual cash flow is reviewed monthly against this forecast.
- Organisational structure: a clear organisational structure with defined responsibilities and clear authority levels has been set.
- Store audits: a store audit function exists to ensure that Group procedures regarding cash, pledges and stock handling are being adhered to. On average 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.

H&T Group plc
Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Principal activities and review of the business

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

A review of the business and its future development (including the information that fulfils the relevant requirements of section 417 of the Companies Act 2006) is given in the Chairman's Statement and Chief executive's review on pages 12 to 15.

Dividends

The Directors propose a final dividend of 6.0p (2019: 0.0p) per share subject to approval at the Annual General Meeting on 20 May 2021. This proposed dividend, in accordance with IAS 10 'Events after the balance sheet date', has not been provided for in the attached financial statements, further information has been provided in note 33.

During the year, the company paid an interim dividend for the year ended 31 December 2020 of 2.5p per share (2019: 4.7p 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 127,601 ordinary shares (2019: 2,077,965) 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 2020 was £1,993,204 (31 December 2019: £1,986,824).

As at 4 February 2021, 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	12.74%
Fidelity International	9.99%
Fidelity Management & Research	9.98%
Close Brothers Asset Management	9.75%
Camelot Capital Partners	6.68%
Octopus Investments	4.53%
Hargreaves Lansdown, stockbrokers (EO)	4.13%
Stitching Value Partners	3.86%
Mr John Nichols	2.85%
Interactive Investors	2.65%

Details of employee share schemes are set out in note 28. Under these share schemes, there are currently potentially an additional 182,598 shares that will be issued to current option holders at the call of the option holder. Under its Articles of Association, the Company has authority to allot under these share schemes, for cash, up to a maximum of 3,704,349 ordinary shares without being required to offer such securities to all shareholders in accordance with statutory pre-emption rights.

On any date, no option may be granted under any share option scheme or long term incentive plan, if (as a result) the aggregate nominal value of ordinary shares issued or issuable pursuant to options granted during the previous 10 years under any share option scheme would exceed 10% of the nominal value of the share capital of the Company in issue on that date. There were no other dilutive equity instruments in the Company in issue at 31 December 2020 or 31 December 2019.

H&T Group plc
Directors' report (continued)

Capital structure (continued)

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
C D Gillespie (appointed 8 January 2021)
J G Nichols (resigned 31 December 2020)
R J Withers (appointed 14 January 2020)
J M Pugh (appointed 27 November 2019, resigned 14 January 2020)

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

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

Director	Type of share	At 1 January 2020	At 31 December 2020
J G Nichols	Ordinary 5p shares	1,129,730	1,137,492
R J Withers	Ordinary 5p shares	1,030	21,030
C D Gillespie	Ordinary 5p shares	-	60,000
P D McNamara	Ordinary 5p shares	17,351	17,351
J F Thornton	Ordinary 5p shares	5,000	5,000
M J Smith	Ordinary 5p shares	1,000	1,000
E F Draper	Ordinary 5p shares	1,000	1,000

C D Gillespie, who was appointed after the year end, held 60,000 shares in the Company on his appointment on 8 January 2020. There have been no other changes in the interests of the current directors between 31 December 2012 and the date of this report.

The Directors have no beneficial interest in the Approved or Unapproved Share Option Schemes operated by the Group.

At 31 December 2020, the market price of H & T Group plc's shares was 260.5p and the range during the year ended 31 December 2020 was 198.0p to 385.0p.

At 31 December 2019, the market price of H & T Group plc's shares was 327.0p and the range during the year ended 31 December 2019 was 265.5p to 398.0p.

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

H&T Group plc
Directors' report (continued)

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

J F Thornton

C D Gillespie

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:

	2020	**2019**
	£	**£**
Emoluments	965,028	1,051,946
Gain on exercise of share options	51,972	180,874
Money purchase pension contributions	48,612	33,869
	1,065,612	1,266,689

H&T Group plc
Directors' report (continued)

Directors' emoluments and compensation

Name of Director	Fees/Basic salary £	Benefits in kind £	Annual bonuses £	2020 Total £	2019 Total £
Executive					
C D Gillespie (note 4)	51,667			51,667	-
R Withers (note 1 &3)	205,553	10,597	-	216,150	-
J G Nichols (note 1, 2 & 3))	280,569	13,934	114,000	408,503	654,545
S A Fenerty	-	-	-	-	112,681
L M Pugh (note 5)	82,965	3,090	-	86,055	75,598
				-	
Non-Executive				-	
P D McNamara (note 1)	72,136	-	-	72,136	77,151
J F Thornton (note 1)	49,339	-	-	49,339	45,149
E Draper (note 1)	40,589	-	-	40,589	43,411
M J Smith (note 1)	40,589	-	-	40,589	43,411
Aggregate emoluments	823,407	27,621	114,000	965,028	1,051,946

Notes:

1) During the period of store closures the Directors voluntarily gave up part of their salary. This has not been reinstated.
2) The £114,000 bonus for JG Nichols relates to his voluntary deferral of 30% of his 2019 bonus award as a result of the S166 notice. This was payable at the Board's discretion pending fulfilment of certain management conditions relating to the s166 process. The Board determined that he had fulfilled the necessary conditions during 2020, and that it should be paid on successful resolution of the s166 process with the FCA. The outcome and payment is still pending.
3) Bonuses relating to 2020 performance were not triggered as a result of the impact on profitability of Covid 19 (70% of award). Executive management proposed that in light of acceptance by H&T Group Plc of Government support for furloughed colleagues and the suspension of the 2019 Final Dividend to shareholders that bonuses relating to the achievement of individual objectives (30%) would not be sought.
4) C Gillespie became a Director of H&T Group PLc on 28 October 2020. He succeeded JG Nichols as Chief Executive on 1 January 2021, subject to regulatory approval which was affirmed on 8 January 2021.
5) L M Pugh left H&T Group Plc on 14 January 2020 after completing his induction period. Amounts paid in 2020 relate to his service notice entitlement.

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 each of the years 2018, 2019 and 2020 the Board established a long-term incentive plan based on the performance of the business over a three-year period and provided for a payment in shares at the end of the periods. Performance condition of the 2018 scheme were not achieved and no shares will be granted under this scheme.

Directors' pension entitlements

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

	2020	2019
	£	£
J G Nichols	28,057	26,160
R Withers	20,555	-
S A Fenerty	-	7,709
	48,612	33,869

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 some senior management also qualify for the unapproved share option scheme (USOS). The Executive Directors, together with key members of the management team, also qualify for the Performance Share Plan (PSP). Further details on share option plans are provided in note 28 to the consolidated financial statements.

Employee consultation

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

Employment of the disabled

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

Health and safety

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

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

Political contributions

No political contributions were made during the year (2018: £nil).

Going concern

The Group has prepared the financial statements on a going concern basis, with due consideration to the unprecedented impact of Covid-19 on the economy and society. The Board has considered the impact of Covid on the business and conducted a going concern review to ensure this basis remains appropriate.

The Group delivered profit before tax of £15.6m for the year ended 31 December 2020 (2019: £20.1m). The Group also increased its net assets to £134.5m (2019: £122.6m).

The Group has significant cash resources at 31 December 2020 of £34.5m and access to an unutilised revolving credit facility with Lloyds Bank plc which allows for maximum borrowings of £35.0m, subject to covenants. The facility terminates on 12 June 2022, with the potential to extend for two additional years to June 2023 and 2024. 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 2021 and into H1 2022 at least. The Group met all covenants in 2020 and there is no evidence to suggest that they will not be met in 2021 or H1 2022.

The Group's activities include services deemed essential by the government and therefore the Group's stores have been able to open during recent lockdowns. The Group's essential services include pawnbroking, foreign currency, money transfer and cheque cashing. The Group has a strong asset base and the ability to generate cash quickly through the sale of jewellery stock for its intrinsic value or by restricting new pawnbroking lending.

The Board has approved a detailed budget for 2021, which has subsequently been updated to form a reasonable worst-case forecast taking into consideration the current lockdown. All forecasts and sensitivities indicate surplus cash generated from operations for the period reviewed after accounting for the Company's forecast levels of capital expenditure. In considering the going concern basis of preparation longer term forecasts are also prepared, with the financial forecasts revealing no inability to meet financial covenants or repay liabilities. Covid is an unprecedented event that has already had and will continue to have for an unknown period profound impacts on economic and social behaviour.

The Group's offering is principally through secured lending against pledges. The Group's 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.

Based on the above considerations and after reviewing in detail 2021 and H1 2022 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

PKF Littlejohn 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:

C D Gillespie
Chief Executive

22 March 2020

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 United Kingdom 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 22 March 2021 and is signed on its behalf by:

Directors' responsibilities statement

Chief Executive Officer
C D Gillespie
22 March 2021

Directors' responsibilities statement

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H&T GROUP PLC

Opinion

We have audited the financial statements of H&T Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Cash Flow Statement, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and notes to the financial statements, including a significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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).

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 2020 and of the group's and parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

a. Reviewing management's assessment of going concern. This included consideration of three different scenarios
b. Reviewing management's assessment of the Covid-19 impact on forecast revenue and expected credit loss loan impairments.

c. Determining if all relevant information has been included in the assessment of going concern including completeness of forecast expenditure
d. Analysing forecasts and budgets, reviewing the underlying assumptions in relation to revenue and expenditure and checking mathematical accuracy.
e. Considering the cash position and available borrowing facilities at and after the year end.
f. Reviewing the reasonable worst-case forecast scenario prepared by management and the financial resources available to deal with this outcome.
g. Considering the impact of the fall in the gold price after the year end.

Directors' responsibilities statement

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the financial statements.

Materiality measure	Amount	Key considerations and benchmarks
Group financial statements – 5% of profit before tax	£775,000	In determining our materiality benchmark, we considered the performance indicators most applicable to the users of these financial statements, the nature of the business and comparative audit reports for listed entities and consumer credit businesses. Profit before tax is a key measure used by analysts in the sector in presenting business performance to users of the financial statements.
Parent company financial statements – 3% of net assets, which is capped at 99% of group materiality	£767,000	The parent company acts principally as a holding company. On this basis, we have determined net assets to be the key reporting measure.

We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £465,000 and £460,000 for the group and parent company, respectively, being 60% of materiality for the financial statements as a whole. This reflects that this is the first year that we have audited the financial statements of the group and there are number of key areas within the financial statements that require management judgements and estimates; expected credit loss impairment calculations, valuation of the pledge interest accrual, impairment of goodwill and other intangible assets, impairment of right of use assets, calculation of provisions, selection of the incremental borrowing rate in the lease liability calculation under IFRS 16 and the assessment of going concern.

We have reassessed materiality since planning upon receiving the year-end management accounts. The basis for determination of materiality remained the same.

We have agreed with the audit committee that we would report to the committee all individual audit differences in excess of £38,750 and £38,350 for the group and parent company, respectively, as well as differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Our approach to the audit

Our audit approach was developed by obtaining an understanding of the group and parent company's activities and the overall control environment. Based on this understanding we assessed those aspects of the group's and parent company's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. We looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. We identified what we considered to be key audit matters in the next section and planned our audit approach accordingly.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including 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.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Valuation of pledge interest accrual and impairment of pledge loans **The pledge interest accrual amounted to £11,770 million and the pledge book impairment balance amounted to £9.995 million at 31 December 2020.** **IFRS 9 *Financial instruments,* requires management to consider and record impairments (expected credit losses). The measurement of expected credit losses should reflect the reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The measurement of expected credit loss involves complexity and significant management judgement regarding the estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.** **A financial model is used to determine the impairment balance. This model involves determining a recoverable amount from its pledge book. The recoverable amount is the net present value of future pledge redemptions and realisations from forfeited loans. A future redemption rate used in the calculation is based on historical redemption rates over either 12, 6- or 3-month periods that may be capped by an average annual rate adjusted for actual redemptions. The calculation involves spreading calculated future receipts. The model also calculates expected interest to be received based on the expected outstanding principal. An internal rate of return is then applied to calculate the net present value. A similar model used to calculate the present value of forfeitures.** **A pledge accrual balance is also calculated based on applying an internal rate of return based on an average rate of interest.**	We obtained an understanding of management's controls over the preparation and review of the redemption rate estimate used in their calculation. We assessed whether management's application of the redemption rate estimate remains consistent with the prior year, and tested whether the judgements regarding future redemption rates are reasonable by: • Re-performing the compilation of historical data into the historical redemption file. • Testing the accuracy and completeness of the underlying redemption data. • Analysing historical and forward-looking trends in the rate to assess the appropriateness of the redemption rates, taking into consideration shifts in the historical profile. • Assessing the pledge accrual for compliance with the requirements of IFRS 9 *Financial instruments.* • Challenging management on their assessment of macroeconomic overlays by investigating whether correlations exist between historical redemption rates and macroeconomic factors such as unemployment and inflation rates. • Assessing management's historical forecasting accuracy by performing a retrospective review of the prior year redemptions Reviewing the impact of FCA forbearance measures on credit risk assessments feeding into the expected credit loss calculation. • Review of impairment loss methodology and disclosures to ensure that it is in line with IFRS 9. • Testing the completeness of data feeding into the credit loss model Based on the procedures performed above, we consider that management's estimate of the redemption rate was appropriate and that the pledge interest accrual is appropriately valued.

Key audit matter	How the scope of our audit responded to the key audit matter
The redemption rate is a key assumption in driving the pledge book balance and is a key management judgement, hence we consider this to be a key audit matter. **Further information regarding the valuation of the pledge interest accrual is found within the Audit Committee Report on page 37 the critical accounting judgements and key sources of estimation uncertainty on page 72 and note 4 to the financial statements.**	
Valuation of personal loan impairment **Personal loan balance £7.567 million and personal loan impairment balance £1.681 million, at 31 December 2020** **IFRS 9 *Financial instruments,* requires management to consider and record impairments (expected credit losses). The measurement of expected credit losses should reflect the reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.** **The measurement of expected credit loss involves complexity and significant management judgement regarding the estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. As part of management calculation there is significant judgment involved on the probability of default calculation due to the sensitivity of the model to this input; hence, we consider this to be a key audit matter for the audit.** **Further information regarding the valuation of the personal loan impairment is found within the Audit Committee Report on page 37; the critical accounting judgements and key sources of estimation uncertainty on page 73 and note 4 to the financial statements.**	We obtained an understanding of management's controls over the calculation and review of the personal loan provisioning. We have challenged management on their provisioning policy to assess whether their judgements regarding probability of default rates are reasonable by: • Testing the accuracy and completeness of personal loan data used to calculate the provision. • Assessing the impact of macroeconomic factors (including any impact of Brexit), expected or potential payment defaults and expected delays in payments. • Challenging management's assessment of macroeconomic overlays by assessing whether correlations exist between historical redemption rates and macroeconomic factors such as unemployment and inflation rates. • Reviewing the reserve adequacy test performed, which compares the actual loan losses with the forecast expected credit loss. • Substantively testing a sample of loans with no significant increase in credit risk since initial recognition, as determined by management, to identify whether there were loans that represent an increase in significant credit risk which had not been identified by management. This enabled us to determine whether higher probability of default rates had been correctly applied in the expected credit loss calculation. • Assessing whether the personal loan provision calculation is consistent with the requirements of IFRS 9. • Reviewing the impact of FCA forbearance measures on credit risk assessments feeding into the expected credit loss calculation.

	• Testing the completeness of data feeding into the credit loss model with the help of our IT team. Based on the procedures described above, we consider that the inputs and assumptions applied in management's personal loan provision calculation and the carrying value of the personal loan book is appropriate.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from consumer credit, money laundering, taxation, the FCA listing rules and the Companies Act 2006.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
    - Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
    - Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HM Revenue and Customs and the Financial Conduct Authority; and

    - We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that a potential management bias was identified in relation to the following areas:
        - Valuation of the pledge interest accrual
        - Measurement of expected credit losses.
        - The choice of the incremental borrowing rate use to discount lease premiums under IFRS 16.
        - Impairment of right of use assets.
        - Impairment of goodwill.
        - Impairment of other intangible assets.
        - The calculation of stock provisions.
        - Calculation of provisions for customer redress.
        - Recoverability of the deferred tax asset.

We addressed the risk of bias by challenging the assumptions and judgements made by management in each of the above noted areas.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 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.

Mark Ling (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

H&T Group plc
Group statement of comprehensive income
For the year ended 31 December 2020

Continuing operations:	Note	2020 £'000	2019 £'000
Revenue	5,6	129,115	160,213
Cost of sales		(46,316)	(58,852)
Gross profit	6	82,799	101,361
Other direct expenses		(50,188)	(60,842)
Administrative expenses		(15,727)	(18,031)
Operating profit		16,884	22,488
Investment revenues	5,10	5	-
Finance costs	11	(1,257)	(2,405)
Profit before taxation	7	15,632	20,083
Tax charge on profit	12	(3,070)	(3,393)
Profit for the financial year and total comprehensive income		12,562	16,690

Earnings per share from continuing operations		2020 Pence	2019 Pence
Basic	13	32.11	43.88
Diluted	13	32.11	43.80

All profit for the year is attributable to equity shareholders.

H&T Group plc
Group statement of changes in equity
For the year ended 31 December 2020

	Note	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019		1,883	27,153	(35)	74,820	103,821
Profit for the year		-	-	-	16,690	16,690
Total comprehensive income		-	-	-	16,690	16,690
Issue of share capital	27	104	6,026	-	-	6,130
Share option movement	28	-	-	-	328	328
Dividends paid	14	-	-	-	(4,363)	(4,363)
At 31 December 2019		1,987	33,179	(35)	87,475	122,606
At 1 January 2020		1,987	33,179	(35)	87,475	122,606
Profit for the year		-	-	-	12,562	12,562
Total comprehensive income		-	-	-	12,562	12,562
Issue of share capital	27	6	307	-	-	313
Share option movement	28	-	-	-	64	64
Dividends	14	-	-	-	(996)	(996)
At 31 December 2020		1,993	33,486	(35)	99,105	134,549

H&T Group plc
Group balance sheet
As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Non-current assets			
Goodwill	15	19,330	19,580
Other intangible assets	16	2,729	3,889
Property, plant and equipment	17	8,635	7,739
Right-of-use assets	17	18,337	21,147
Deferred tax assets	24	2,822	2,180
		51,853	54,535
Current assets			
Inventories	19	27,564	29,157
Trade and other receivables	20	55,751	90,891
Other current assets	20	1	714
Cash and bank balances	21	34,453	12,003
		117,769	132,765
Total assets		169,622	187,300
Current liabilities			
Trade and other payables	22	(10,807)	(10,578)
Lease liabilities	22	(3,568)	(4,890)
Current tax liability	22	(1,972)	(2,066)
		(16,347)	(17,534)
Net current assets		101,422	115,231
Non-current liabilities			
Borrowings	23	-	(26,000)
Lease liabilities	22	(17,077)	(19,670)
Long term provisions	25	(1,649)	(1,490)
		(18,726)	(47,160)
Total liabilities		(35,073)	(64,694)
Net assets		134,549	122,606
Equity			
Share capital	27	1,993	1,987
Share premium account		33,486	33,179
Employee Benefit Trust shares reserve		(35)	(35)
Retained earnings		99,105	87,475
Total equity attributable to equity holders		134,549	122,606

The financial statements of H&T Group Plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 22 March 2021.

They were signed on its behalf by:

C D Gillespie
Chief Executive

H&T Group plc
Group cash flow statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	29	55,350	25,829
Investing activities			
Interest received		5	-
Purchases of intangible assets		(233)	(9)
Purchases of property, plant and equipment		(3,005)	(3,316)
Acquisition of trade and assets of businesses	30	(50)	(18,740)
Acquisition of Right-of-use assets		(2,934)	(5,592)
Net cash used in investing activities		(6,217)	(27,657)
Financing activities			
Dividends paid	14	(996)	(4,363)
(Reduction)/Increase in borrowings		(26,000)	1,000
Debt restructuring costs		-	(350)
Proceeds on issue of shares		313	6,130
Net cash generated / (used in) from financing activities		(26,683)	2,417
Net increase in cash and cash equivalents		22,450	589
Cash and cash equivalents at beginning of the year		12,003	11,414
Cash and cash equivalents at end of the year		34,453	12,003

H&T Group plc
Group cash flow statement
For the year ended 31 December 2020

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 29.

The principal activities of the Company and its subsidiaries (the "Group") and the nature of the Group's operations are set out in note 6 and in the chairman's statement, chief executive officer's review, the finance Director's review and the Directors' report.

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

2. CHANGES IN ACCOUNTING POLICIES

Adoption of new and revised standards
Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IAS 1 & IAS 8	Definition of Material
Amendments to IFRS 3	Business Combinations

New and revised IFRSs in issue but not yet effective
No new or revised standards in issue but not yet effective deemed to be applicable

Basis of accounting

The financial statements have been prepared in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and therefore the Group financial statements comply with the requirements of the AIM Rules.

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

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Going concern

The Directors have, at the time of approving the financial statements and considering Covid and the Group's available cash resources, 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 (1 January 2006) has been retained at the previous UK GAAP amounts subject to being tested for impairment annually as described above.

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

Intangible assets

Intangible assets with a finite useful life are carried at cost less amortisation less impairment losses. Intangible assets represent intangibles which have been separately identified under IFRS 3 arising in business combinations, being customer relationships, or meet the recognition criteria of IAS 38, "Intangible Assets", being principally computer software assets.

Amortisation of intangible assets acquired in a business combination is calculated using the expected life of the intangible assets acquired.

Amortisation of other intangible assets (computer software) is calculated using the straight-line method to allocate the cost of the asset less its assessed realisable value over its estimated useful life (6 to 8 years).

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

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

Property, plant and equipment

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

Depreciation

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

Leasehold premises	
- Leasehold improvements	Shorter of 7 years or life of lease
Computer equipment	

- Computer hardware	3 to 5 years
Fixtures and fittings	5 to 10 years
Motor vehicles	4 years
Right of use assets	Life of the lease

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

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

Leases

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

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

As a lessee

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

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

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

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

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

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

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

Impairment of non-financial assets including goodwill and other intangibles

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 9% (2019: 9%) which reflects the current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market conditions, including Covid are taken into account.

The Group bases its impairment calculation on detailed budgets and historical performance measures. These are prepared separately for each of the Group's CGUs to which the individual assets are allocated, which is usually taken to be at store level.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

While the impairment review has been conducted based on the best available estimates at the impairment review dates, the Group notes that actual events may vary from management expectation, but are comfortable that other than a right-of-use-assets (property leases) impairment charge of £0.5m (2019: nil) no further impairment exists at the balance sheet date based on reasonably possible sensitivities.

Inventories

Inventories are stated at the lower of cost and net realisable value. For inventory acquired for retail sale the cost represents the purchase price plus overheads directly related to bringing inventory to its present location and condition and is measured on a first in first out basis. For inventory arising from unredeemed pledges the cost represents the amount originally loaned, plus overheads directly related to bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.
Where necessary provision is made for obsolete, slow moving and damaged inventory or inventory shrinkage. The provision for obsolete, slow moving and damaged inventory represents the difference between the cost

of the inventory and its market value. The inventory shrinkage provision is based on an estimate of the inventory missing at the reporting date using historical shrinkage experience.

Financial assets

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

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

In accordance with IFRS 9 *Financial Instruments* the Group has classified its financial assets as 'amortised cost', no financial assets have been classified as FVTOCI or FVTPL at the reporting date for 2019 and 2018.

Amortised cost and effective interest method:

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

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

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

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

Any loans that may be subject to voluntary or mandatory forbearance are reviewed in relation to an increased credit risk by considering:

- whether the forbearance arrangement might lead to a change in cashflows, which are considered substantial modification of the loan;

whether the forbearance arrangement indicates that there has been a significant increase in credit risk (SICR) and as such expected credit losses are required to be recognised over the lifetime of the loan.

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

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

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

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

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

(i) Significant increase in credit risk

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

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxation

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

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

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

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

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

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

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

VAT

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

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.

Most 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 was conditional upon certain vesting criteria, which was not met.

The Group presents the shares as an adjustment to its own equity at the balance sheet date through the Employee Benefit Trust shares reserve.

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.

The following specific recognition criteria must also be met before The Group recognises revenue from the following major sources:

- Pawnbroking, or Pawn Service Charge (PSC);
- Retail jewellery sales;
- Pawnbroking scrap and gold purchasing;
- Personal loans interest income;
- Income from other services and
- Other income

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.

Pawnbroking, or Pawn Service Charge (PSC)

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

Retail jewellery sales

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

Under the Group's standard contract terms, customers have a right of return within 30 days. Whilst stores were closed owing to Covid restrictions the returns policy was extended to cover a period of 30 days after the store reopened. Additional flexibility was offered during the year to allow customers to return items by post rather than attend store. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales.

The Group uses its accumulated historical experience to estimate the number of returns. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent and immaterial level of returns over previous years; as a proportion of sales 2020 returns were 6% (2019: 6%).

Pawnbroking scrap and gold purchasing

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

Personal loans interest income

This comprises income from the Group's unsecured lending activities. Personal loan revenues are shown stated before impairment when in stages 1 and 2 of the expected credit loss model and net of impairment when in stage 3. The impairment charge is included within other direct expenses in the Group statement of comprehensive income. Revenue is recognised over time in relation to the interest accrued, as dictated by IFRS 9.

Other services

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

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

Other income

Government grants, including monies received under the Coronavirus job retention scheme are recognised as other income when there is reasonable assurance that the Group will comply with the scheme conditions and the monies will be received. There are no unfulfilled conditions and contingencies attaching to recognised grants.

Gross profit

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

Other direct expenses

Other direct expenses comprise all expenses associated with the operation of the various shops and collection centre of the Group, including premises expenses, such as rent, rates, utilities and insurance, all staff costs and staff related costs for the relevant employees.

Operating profit

Operating profit is stated before investment income and finance costs.

EBITDA

EBITDA is a non-IFRS9 measure defined as earnings before interest, taxation, depreciation and amortisation. It is calculated by adding back depreciation and amortisation to the operating profit as follows:

	2020 £'000	2019 £'000
Operating profit	16,884	22,488
(i) Depreciation of the right-of-use assets	5,122	4,604
(ii) Depreciation and amortisation-other	3,633	2,862
(iii) Impairment of the right-of-use-assets	531	-
EBITDA	26,170	29,954

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

Retirement benefit costs

The Group operates a defined contribution pension scheme which is contracted into the State Scheme. The amount charged to the Group statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The total defined contribution expenses are recognised in profit and loss for 2020 is £745,000 (2019: £627,000).

Employee share incentive plans

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

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

Dividends

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Pawnbroking impairment

The Group recognises interest on pawnbroking loans as disclosed in the changes in the Group's accounting policies section set out in note 3. Impairment of pawn interest is determined in accordance with the IFRS 9 expected credit loss model. As at 31 December 2020, the pawnbroking loss allowance is £4,763,000 (2019: £10,142,000).

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

In calculating lifetime expected losses on pledge balances, the probability of default is dependent on the estimate that the Group makes of the expected level of redeemed pawn loans. The Group estimates the expected redemptions based on the historical redemption data assumptions and expectations of future market conditions.

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

The Directors assess the pledge redemption estimate made at the prior balance sheet date annually to determine if the actual redemption differs significantly to the previous estimate. While there were no significant differences noted for 2019, the timing of 2020 redemptions were impacted because of the Covid lockdown and temporary store closures from March. There are currently no significant differences in respect of redemption rates for 2020. The sensitivity of the pledge accrual to reasonable changes in the redemption rate is set out in note 26.

Personal loan impairment

When measuring expected credit losses, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group has considered the likely impact of Covid on repayments and in particular payment deferral arrangements in determining expected credit losses.

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

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

A provision for impairment on personal loans is recognised based on the IFRS 9 expected credit loss model. As at 31 December 2020, the personal loan impairment provision was £1,675,000 (2019: £10,656,000).
For further details on expected credit losses including sensitivity analysis, refer to note 26, which show the amounts recorded in the period and the sensitivity at the balance sheet date to changes in the key assumptions with respect to expected credit losses.

Inventory stock Provisions

Where necessary an inventory provision is made for obsolete, slow moving, damaged goods or inventory shrinkage. The provision is based upon inventory ageing at the balance sheet date, taking into consideration experience.

Impairment of property, plant and equipment, goodwill & intangibles and right-of-use-assets

Determining whether categories of assets are impaired requires an estimation of the value in use of the CGU to which the assets have been allocated.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 9% (2019: 9%) which reflects the current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market conditions, including Covid are considered.

The Group bases its impairment calculation on detailed budgets and historical performance measures as an indicator of future performance. These reviews are usually carried out annually and prepared separately for each of the Group's CGUs, which is usually taken to be at store level.

While the impairment review has been conducted based on the best available estimates at the impairment review dates, the actual events may vary from management expectations.

S166 Customer redress provision

The Group continues to work with the appointed Skilled Person and the FCA in respect of the review into its creditworthiness assessments and lending processes for its unsecured HCSTC loans, see note 33 Contingent Liabilities.

5. Revenue

An analysis of the Group's revenue is as follows:	2020 £'000	2019 £'000
Sales of goods		
Gold purchasing, retail, pawnbroking scrap	70,584	80,689
Interest / commission earned		
Pawnbroking, cheque cashing and other financial services	58,531	79,524
Revenue	129,115	160,213
Investment revenues	5	-
Total Group revenue	129,120	160,213

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

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:

6. Operating segments (continued)

Pawnbroking:

Pawnbroking is a loan secured against a collateral (the pledge). In the case of the Group, over 99.8% (2019: 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 2% and 9.99%. 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 the Group's stores. The transaction is simple with the store agreeing a price with the customer and purchasing the goods for cash on the spot. Gold purchasing revenues comprise proceeds from scrap sales on goods sourced from the Group's purchasing operations.

Retail:

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

Pawnbroking scrap:

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

Personal loans:

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

Other services:

This segment comprises:

- Third party cheque encashment which is the provision of cash in exchange for a cheque payable to our customer for a commission fee based on the face value of the cheque.
- Buyback which is a service where items are purchased from customers, typically high-end electronics, and may be bought back up to 31 days later for a fee. The Group ceased this operation during the year.
- 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.

Other income

Government grants, including monies received under HM Government's coronavirus job retention and rates relief schemes are recognised as other income.

Further details on each activity are included in the chief executive's review on pages 12 to 15.

6. Operating segments (continued)

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Segment information about these businesses is presented below:

2020 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans £'000	Other services £'000	Other income £'000	Total £'000
External revenue	38,970	21,508	29,827	19,249	9,781	6,014	3,766	129,115
Total revenue	38,970	21,508	29,827	19,249	9,781	6,014	3,766	129,115
Gross profit	38,970	6,802	11,303	6,163	9,781	6,014	3,766	82,799
Impairment	(4,763)	-	-	-	(1,675)	-	-	(6,438)
Segment result	34,207	6,802	11,303	6,163	8,106	6,014	3,766	76,361
Other direct expenses excluding impairment								(43,750)
Administrative expenses								(15,727)
Operating profit								16,884
Interest receivable								5
Financing costs								(1,257)
Profit before taxation								15,632
Tax charge on profit								(3,070)
Profit for the financial year and total comprehensive income								12,562

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

6. Operating segments (continued)

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.

2020	Pawn-broking £'000	Gold purchasing £'000	Retail £'000	Pawn-broking scrap £'000	Personal loans £'000	Other services £'000	Unallocated assets/ (liabilities) £'000	Total £'000
Other information								
Capital additions (*)							6,060	6,060
Depreciation, amortisation and impairment (*)							9,286	9,286
Balance sheet								
Assets								
Segment assets	48,344	986	25,740	839	5,891	-		81,800
Unallocated corporate assets							72,476	72,476
Consolidated total assets								169,622
Liabilities								
Segment liabilities	-	-	(814)	-	-	(274)		(1,088)
Unallocated corporate liabilities							(33,985)	(33,985)
Consolidated total liabilities								(35,073)

6. Operating segments (continued)

2019	Pawn-broking £'000	Gold purchasing £'000	Retail £'000	Pawn-broking scrap £'000	Personal loans £'000	Other services £'000	Unallocated assets/ (liabilities) £'000	Total £'000
Other information								
Capital additions (*)							15,716	15,716
Depreciation and amortisation (*)							7,467	7,467
Balance sheet								
Assets								
Segment assets	72,199	1,414	27,391	1,067	16,628	-		118,699
Unallocated corporate assets							45,418	45,418
Consolidated total assets								187,300
Liabilities								
Segment liabilities	-	-	(657)	-	-	(209)		(866)
Unallocated corporate liabilities							(63,828)	(63,828)
Consolidated total liabilities								(64,694)

(*) 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:

	2020 £'000	2019 £'000
United Kingdom	127,487	158,582
Other	1,628	1,631
	129,115	160,213

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 £38,998,000 (2019: £36,681,000), which makes more than 10% of the total revenue. This customer is bullion house involved in the processing of the Group's scrap gold.

7. Profit before taxation

Profit before taxation has been arrived at after charging/(crediting):	**2020 £'000**	**2019 £'000**
Depreciation of property, plant and equipment reported within:		
- Other direct expenses	1,956	1,903
- Administrative expenses	248	368
Depreciation of right of use assets	5,122	4,604
Impairment of right of use assets	531	-
Amortisation of intangible assets (reported within other direct expenses)	1,428	591
Profit/(Loss) on disposal of property, plant and equipment	3	(70)
Cost of inventories recognised as expense	45,200	58,985
Write (ups)/downs of inventories recognised as an (income)/expense	1,116	(134)
Staff costs (see note 9)	34,986	32,475
Impairment loss recognised on pawnbroking financial assets	4,763	10,142
Impairment loss recognised on personal loans financial assets	1,675	10,656

8. Auditor's remuneration

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

	2020 £'000	**2019 £'000**
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	19	78
Fees payable to the Company's auditor for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	171	78
Total audit fees	190	156
- Tax services	15	13
- Services related to corporate finance transactions	-	165
Total non-audit fees	205	178

Remuneration and other service fees noted in 2019 are in relation to previous auditors, Deloitte LLP.

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

There were no fees payable to the Company's auditor and its associates in respect of associated pension schemes.

9. Information regarding Directors and employees

Non-executive Directors' emoluments

The 4 (2019: 4) non-executive directors received payments for services rendered to the H & T Group plc group. Their emoluments are included in the analysis below:

Directors' emoluments	**2020 £'000**	**2019 £'000**
Aggregate emoluments	913	1,052
Gain on exercise of share options	52	181
Company pension contributions to money purchase schemes	49	34
	1,014	1,267

All executive Directors during the year (2019: all) participated in Harvey & Thompson Limited's money purchase pension scheme. One (2019: two) Director exercised options over shares in the Company in the year. None (2019: None) of the Directors were granted shares under the long-term incentive scheme.

	2020 £'000	**2019 £'000**
Highest paid Director		
Aggregate emoluments	408	655
Gain on exercise of share options	52	106
Company pension contributions to money purchase scheme	28	26

In addition, £38,000 (2019: £78,000) 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.

	2020 No.	**2019 No.**
Monthly average number of persons employed (including Directors)		
Branches	1,270	1,145
Administration	182	171
	1,452	1,316

	2020 £'000	**2019 £'000**
Staff costs during the year (including Directors)		
Wages and salaries	31,589	28,703
Share options expense	(35)	266
Social security costs	2,687	2,879
Other pension costs	745	627
	34,986	32,475

All Directors and employees are remunerated through a subsidiary Group company. The Directors of Harvey & Thompson Limited, the trading subsidiary, are the key management personnel of the Group, of which one is female (2019: one).

10. Investment revenues

	2020 £'000	2019 £'000
Interest revenue:		
Bank deposits	5	-

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

	2020 £'000	2019 £'000
Loans and receivables (including cash and bank balances)	5	-

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

11. Financing costs

	2020 £'000	2019 £'000
Interest on bank loans	404	693
Other interest	1	1
Interest expense on the lease liability	735	1,524
Amortisation of debt issue costs	117	187
Total interest expense	1,257	2,405

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12. Tax charge on profit

(a) Tax on profit on ordinary activities

	2020	2019
Current tax	**£'000**	**£'000**
United Kingdom corporation tax charge at 19% (2018: 19%)		
based on the profit for the year	3,628	3,634
Adjustments in respect of prior years	(14)	195
Total current tax	3,614	3,829
Deferred tax		
Timing differences, origination and reversal	(358)	262
Adjustments in respect of prior years	(6)	(698)
	(180)	-
Total deferred tax (note 24)	(544)	(436)
Tax charge on profit	3,070	3,393

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than that resulting from applying a standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before taxation	15,632	20,083
Tax charge on profit at standard rate	2,970	3,816
Effects of:		
Disallowed expenses and non-taxable income	236	150
Non-qualifying depreciation	840	(80)
Effect of change in tax rate	(180)	-
Movement in short-term timing differences	(776)	10
Adjustments to tax charge in respect of prior years	(20)	(503)
Tax charge on profit	3,070	3,393

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 £98,000 (2019: £61,000).

13. Earnings per share

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

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

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

	Year ended 31 December 2020			Year ended 31 December 2019		
	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	12,562	39,124,959	32.11	16,690	38,039,328	43.88
Effect of dilutive securities						
Options and conditional shares	-	1,278	(0.00)	-	68,197	(0.08)
Earnings per share: diluted	12,562	39,126,237	32.11	16,690	38,107,525	43.80

14. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2019 of 0.0 pence (2018: 6.6p) per share	-	2,497
Interim dividend for the year ended 31 December 2020 of 2.5 pence (2019: 4.7p) per share	996	1,866
	996	4,363
Amounts proposed and not recognised:		
Proposed final dividend for the year ended 31 December 2020 of 6.0p (2019: nil) per share.	2,392	-

The initially proposed 2019 7.0p per share final dividend was cancelled by the Directors, owing to Covid uncertainties, and not put forward for approved at the Group's Annual General Meeting. This year's proposed final dividend is subject to approval by shareholders at the Annual General Meeting and accordingly, has not been included as a liability in these financial statements.

15. Goodwill

	Goodwill arising on purchase of subsidiaries £'000	Goodwill arising on trade and asset purchases £'000	Total Goodwill £'000
Cost and carrying amount			
At 1 January 2018 and 1 January 2019	14,133	5,447	19,580
Additions	-	-	-
Prior year adjustments	-	(250)	(250)
At 31 December 2019	14,133	5,197	19,330

There are no recognised impairment losses at 31 December 2020.

Goodwill acquired in business combinations is allocated as follows:	2020 £'000	2019 £'000
Harvey & Thompson Limited	14,133	14,133
Stores acquired in 2005	181	181
Stores acquired in 2006	553	553
Stores acquired in 2007	1,516	1,516
Stores acquired in 2008	391	391
Stores acquired in 2010	19	19
Stores acquired in 2011	49	49
Stores acquired in 2012	646	646
Stores acquired in 2013	155	155
Stores acquired in 2019	1,687	1,937
	19,330	19,580

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

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The impairment review was conducted as described in note 3.

16. Other intangible assets

	Software £'000	Customer relation-ships £'000	Total £'000
Cost			
At 1 January 2019	1,588	2,651	4,239
Additions	-	3,900	3,900
Disposals	(1,513)	-	(1,513)
Reclassification	920	-	920
At 1 January 2020	995	6,551	7,546
Additions	233	35	268
Disposals	-	-	-
At 31 December 2020	1,228	6,586	7,814
Amortisation			
At 1 January 2019	1,588	2,308	3,896
Charge for the year	-	591	591
Disposals	(1,513)	-	(1,513)
Reclassification	683	-	683
At 1 January 2020	758	2,899	3,657
Charge for the year	225	1,203	1,428
Disposals	-	-	-
At 31 December 2020	983	4,102	5,085
Carrying amount			
At 31 December 2020	245	2,484	2,729
At 31 December 2019	237	3,652	3,889

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

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

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 2019	25,942	247	49	6,188	5,065	37,491
Additions	2,105	171	29	1,294	686	4,285
Disposals	(617)	(1)	(12)	(4,075)	(445)	(5,150)
Reclassification				(920)	-	(920)
At 1 January 2020	27,430	417	66	2,487	5,306	35,706
Additions	2,541	8	15	183	361	3,108
Disposals	(320)	(1)	-	(1)	(22)	(344)
At 31 December 2020	29,651	424	81	2,669	5,645	38,470
Accumulated depreciation and impairment						
At 1 January 2019	22,084	206	24	5,008	4,137	31,459
Charge for the year	1,305	23	13	589	341	2,271
Disposals	(603)	-	(12)	(4,022)	(443)	(5,080)
Reclassification	-	-		(683)	-	(683)
At 1 January 2020	22,786	229	25	892	4,035	27,967
Charge for the year	1,328	13	19	481	363	2,204
Disposals	(317)	-	-	-	(19)	(336)
At 31 December 2020	23,797	242	44	1,373	4,379	29,835
Carrying amount						
At 31 December 2020	5,854	182	37	1,296	1,266	8,635
At 31 December 2019	4,644	188	41	1,595	1,271	7,739

17. Property, plant and equipment (continued)

Right-of-use assets

	£'000
Cost or valuation	
At 1 January 2019	48,696
Additions	5,592
At 1 January 2020	54,288
Additions	2,934
Disposals	(5,901)
At 31 December 2020	51,321
Accumulated depreciation and impairment	
At 1 January 2019	28,537
Charge for the year	4,604
At 1 January 2020	33,141
Charge for the year	5,122
Disposals	(5,810)
Impairment	531
At 31 December 2020	32,984
Carrying amount	
At 31 December 2020	18,337
At 31 December 2019	21,147

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

18. Subsidiaries

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

19. Inventories

	2020 £'000	2019 £'000
Retail and scrap inventory	27,564	29,157

Of the retail and scrap inventory, 99.2% (2019: 93.9%) 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

	2020 £'000	2019 £'000
Trade receivables	54,273	88,906
Other receivables	92	550
Prepayments and accrued income	1,218	1,150
Deferred debt issue cost	168	285
	55,751	90,891

Trade and other receivables are stated net of impairment.

Deferred debt issue cost was reallocated from borrowing where it was offset against the loan value, prior year was restated accordingly.

The pledge loan book of £48.3m (2019: £72.2m) and personal loan book of £5.9m (2019: £16.6m) are included, net of provisions, within the trade receivables balance.

Other current assets	2020 £'000	2019 £'000
Other current assets	1	714

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

21. Cash and bank balances

	2020 £'000	2019 £'000
Cash and bank balances	34,453	12,003

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

Further details on financial instruments, including the associated risks to the Group and expected credit allowances, is provided in note 26.

22. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	4,278	1,976
Other taxation and social security costs	1,033	717
Accruals and deferred income	5,496	7,885
	10,807	10,578

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2019: 30 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

22. Trade and other payables (continued)

charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Lease liabilities

	2020 £'000	2019 Represented £'000
Current liabilities	3,568	4,890
Non-current liabilities	17,077	19,670

At the balance sheet date, the Group had outstanding lease commitments, which fall due as follows:

	2020 £'000	2019 £'000
Within one year	3,568	4,890
In the second to fifth years inclusive	13,181	14,049
After five years	3,896	5,621
	20,645	24,560

	2020 £'000	2019 £'000
Current tax liabilities	1,972	2,066

23. Borrowings

	1 January 2020 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2020 £'000
Bank Loan	26,000	(26,000)	-	-

Total	26,000	(26,000)	-	-

As at 31 December 2020 the key terms of the Lloyds Bank plc facility were:

Key Term	**Description**
Total Facility Size	£35m
Termination Date	12 June 2022
Utilisation	The facility is available to be drawn down to the full £35m so long as the Company remains compliant with leverage and interest cover ratios as stipulated in the Credit Agreement.
Margin	The facility has an interest calculation of LIBOR plus a margin of between 1.75% and 2.75%, dependent on ratios as stipulated in the Credit Agreement. The agreement provides for the transition to SONIA during 2021.
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.
Repayments	Capital repayments are permitted prior to termination date for the whole or any part of the loan

Deferred debt issue costs

There were £117,000 of deferred debt issue costs written off in the period to the Group statement of comprehensive income (2019: £188,000). Deferred debt issue cost for 2020 and 2019, which was previously offset against loan liability, was reallocated into trade and other receivables (note 20).

Security

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

Undrawn borrowing facilities

At 31 December 2020, the Group had available £35,000,000 (2019: £9,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

24. Deferred tax

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

	Property, plant and equipment differences £'000	Short-term timing differences £'000	Share based payment £'000	Total £'000
At 1 January 2020 (restated)	325	1,700	155	2,180
Adjustment in respect of prior years	6	-	-	6
Credit/(debit) to income	747	(157)	(52)	538
Debit to equity	-	-	98	98
As 31 December 2020	1,078	1,543	201	2,822

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 chancellor indicates that the long term rate will increase to 25% from 2023 subject to royal assent. At the date of this report, the finance bill has not been put before parliament.

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

25. Provisions

	Provision for reinstatement £'000
At 1 January 2019	1,253
Additional provision in the year	279
Provision utilised in the year	(42)
At 1 January 2020	1,490
Additional provision in the year	168
Provision utilised in the year	(9)
At 31 December 2020	1,649

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

26. Financial instruments

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

At 31 December 2019	**Financial liabilities at amortised cost**	**Carrying amount total**

H&T Group plc
Group cash flow statement
For the year ended 31 December 2020

	Financial assets at amortised cost		
	£'000	£'000	£'000
Financial assets			
Pawnbroking trade receivables	48,344	-	48,344
Other financial services trade receivables	5,891	-	5,891
Other assets	51	-	51
Cash and cash equivalents	34,453	-	34,453
Financial liabilities			
Trade and other payables	-	(9,773)	(9,773)
Borrowings due after more than one year	-	-	-
Net financial assets/(liabilities)	**88,739**	**(9,773)**	**78,966**

At 31 December 2019	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amount total
	£'000	£'000	£'000
Financial assets			
Pawnbroking trade receivables	72,199	-	72,199
Other financial services trade receivables	16,629	-	16,629
Other assets	109	-	109
Cash and cash equivalents	12,003	-	12,003
Financial liabilities			
Trade and other payables	-	(9,860)	(9,860)
Borrowings due after more than one year	-	(26,000)	(26,000)
Net financial assets/(liabilities)	**100,940**	**(35,860)**	**65,080**

26. Financial instruments (continued)

Financial risks

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

Credit risk

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

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

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

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

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

Pawnbroking trade receivables

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

In addition to holding security, the Group further mitigates credit risk by applying strict lending criteria to all pawn loans.

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

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

Expected Credit Losses

The Group measures loss allowances for pawnbroking trade receivables using the IFRS 9 expected credit loss model. On initial recognition of pawnbroking assets, the Group recognises 12 month expected credit losses. If the credit risk on a financial instrument has increased significantly since its initial recognition, the Group recognises lifetime expected credit losses. The Group deems the credit risk of those pawnbroking assets where redemption has not taken place one month after initial recognition to have significantly increased,

26. Financial instruments (continued)

unless there are specific circumstances indicating otherwise. When there are indications that a pawnbroking asset is credit-impaired, no further interest is recognised on the asset. The Group deems those pawnbroking assets not redeemed within nine months of inception to be credit-impaired, unless there are specific circumstances indicating otherwise.

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

Category	Basis for recognising expected credit losses	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
Performing	12-month ECL	8,831	(1,092)	7,739
Increased credit risk	Lifetime ECL- not credit impaired	45,003	(6,939)	38,064
In default	Lifetime ECL - credit impaired	4,971	(2,430)	2,541
		58,805	**(10,461)**	**48,344**

Included within the above loss allowances are a specific provision totalling £466,000 in respect of those pledge items where their underlying collateral has lower net realisable value than the amount lent.

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

A 1% increase / (decrease) in the Group's redemption ratio is a reasonably possible variance based on historical trends and would result in an impact on Group pre-tax profit of £52,000 / (£52,000). This does not account for the potential loss of repeat business however, and as such the Group sees more value in retaining a high redemption ratio.

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

Additionally, the pledge provision represents the risk in recovery of the loan amounts, which is considered to be similar to credit risk, due to:

(i) assets being pledged as security against loans, which are subsequently seized by the police; and
(ii) assets being pledged as security against loans which are subsequently lost or stolen, resulting in the borrower being relieved of the liability to the Group; and
(iii) assets being pledged as security against loans, which have a net realisable value less than amount lent.

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

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

26. Financial instruments (continued)

The pawnbroking trade receivables are disclosed net of the loss allowance recognised against these financial assets, including full provision on assets notified to the Group by the police as frozen assets. The movement in the provision is as follows:

	£'000
Balance at 1 January 2019	11,723
Net Consolidated Statement of Comprehensive Income charge	4,813
Written off	(335)
Balance at 31 December 2019	16,201
Net Consolidated Statement of Comprehensive Income charge	(6,008)
Written back	268
Balance at 31 December 2020	10,461

Personal loans trade receivables

The Group is exposed to credit risk through customers defaulting on their unsecured loans.
In order to minimise credit risk, before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

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

Expected credit losses

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

26. Financial instruments (continued)

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

Category	**Basis for recognising expected credit losses**	**Gross carrying amount £'000**	**Loss allowance £'000**	**Net carrying amount £'000**
No missed payments	12-month ECL	5,884	(708)	5,176
1 missed payment	Lifetime ECL- not credit impaired	1,110	(489)	621
2 missed payments	Lifetime ECL- not credit impaired	434	(340)	94
3 + missed payments	Lifetime ECL - credit impaired	145	(145)	-
		7,573	**(1,682)**	**5,891**

The Group has performed a sensitivity analysis on the key assumptions used in determining expected credit losses on the personal loan balance.
A 1% increase / (decrease) in the Group's expected impairment is a reasonably possible variance based on historical trends, and would result in an impact on Group pre-tax profit of £15,000 / (£15,000).

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

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.
The Group applies probabilities to the forecast scenarios identified. The base case scenario (amount as presented in the statement of financial position) is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified key drivers of credit risk and credit losses for each segment of the personal loan balance and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk/losses to be immaterial to the expected credit loss calculation.

26. Financial instruments (continued)

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

	Personal Loans £'000
Balance at 1 January 2019	45,131
Net Consolidated Statement of Comprehensive Income charge	21,290
Written off (balances owed as at 1 January 2019)	(36,773)
Written off (impaired balances during the year)	(10,639)
Balance at 31 December 2019	19,009
Net Consolidated Statement of Comprehensive Income charge	3,334
Written off (balances owed as at 1 January 2020)	(18,987)
Written off (impaired balances during the year)	(1,674)
Balance at 31 December 2020	1,682

Other trade receivables

This class represents amounts recoverable from the other financial services activities the Group engages in, for example, third party cheque encashment. On each product the Group employs appropriate policies to mitigate the credit risk including credit checks, obtaining legal security provided and appropriate staff recruitment and training policies. The Group monitors the ongoing risk associated with this class of financial assets through a continual review of bad debts, modifications to the lending policy, and internal audit activities.

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

	Other services £'000
Balance at 1 January 2019	23
Net Consolidated Statement of Comprehensive Income charge	288
Written off	(279)
Balance at 31 December 2019	32
Net Consolidated Statement of Comprehensive Income charge	223
Written off	(242)
Balance at 31 December 2020	13

26. Financial instruments (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:

	2020 £'000	2019 £'000
Barclays Bank plc	106	42
Lloyds Bank plc	26,215	2,018
Cash at stores	8,132	9,943
	34,453	12,003

Market risk

Pawnbroking trade receivables

The collateral which protects the Group from credit risk on non-redemption of pawn loans is 99% (2019: 99%) comprised of gold, jewellery items and watches. The value of gold items held as security is directly linked to the price of gold. The Group is therefore exposed to adverse movements in the price of gold on the value of the security that would be attributable for sale in the event of default by the borrower.

A 1% increase/(decrease) in the gold price is estimated to impact the pre-tax profit by £20,000/(£22,000) and represents management's assessment of the reasonably possible change in gold prices.

The Group considers this risk to be limited for a number of reasons. The Group applies conservative lending policies in pawnbroking pledges reflected in the blended margin made on retail sales and scrap gold when contracts forfeit. The value of gold for our customers is also much greater than the price of gold since jewellery items contain a retail margin. The fair value of the collateral held at the reporting date is estimated to be approximately £53,291,000 (2019: £77,515,000). There has not been any significant changes in the quality of the collateral held from the previous year. The Group is also protected due to the short-term value of the pawn contract (6 months). In the event of a significant drop in the price of gold, the Group could mitigate this risk by reducing its lending policy on pawnbroking pledges, by increasing the proportion of gold sold through retail sales or by entering gold hedging instruments. Management monitors the gold price on a constant basis.

The price of gold will affect future Group profitability in three key ways:

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

26. Financial instruments (continued)

b. assuming constant disposition margins, absolute disposition profits would decrease as lending and purchasing rates decrease

iii) A lower gold price may reduce the attractiveness of the Group's gold purchasing operations.

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

Borrowings

The Group has a significant borrowings facility which it is not currently using. When in use, the borrowings facility exposes the Group to liquidity risk in both repayment of borrowings and availability of finance. In order to mitigate this risk, the Group's funding is through a banking institution with a high credit-rating. The current borrowings are disclosed in detail in note 23, which shows that the Group has arrangements in place for funding until June 2022. At 31 December 2020, the Group has available £35,000,000 (2019: £9,000,000) 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. Furthermore, as shown in note 29, the business generates a positive cash flow from operating activities and has discretion in its expansion programme should the Group need to improve short-term cash flow.

The Group is in full compliance with all loan covenants.

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

Payments due by period	Less than 30 days £'000	30 to 60 days £'000	60 days to 180 days £'000	180 days to 1 year £'000	1 – 2 years £'000	2 – 3 years £'000	Total £'000
At 31 December 2020							
Floating rate borrowings	20	20	82	126	111	-	359
Trade and other payables	4,277	5,496	-	-	-	-	9,773
Total	4,297	5,516	82	126	111	-	10,132

Payments due by period	Less than 30 days £'000	30 to 60 days £'000	60 days to 180 days £'000	180 days to 1 year £'000	1 – 2 years £'000	2 – 3 years £'000	Total £'000
At 31 December 2019							
Floating rate borrowings	52	52	210	323	638	26,285	27,560
Trade and other payables	1,976	7,874	-	-	-	-	9,850
Total	2,028	7,926	210	323	638	26,285	37,410

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

26. Financial instruments (continued)

based on the relevant LIBOR yield curve derived from quoted interest rates. The above amounts are contractual, undiscounted cash flows.

<u>Interest rate risk</u>

Borrowings

The Group has historically been funded based on a combination of equity and bank borrowings, with borrowings held at floating rates based on LIBOR. Accordingly, the Group has in the past been exposed to cash flow risk through changes in the LIBOR or Screen rate impacting cash flows. As at 31 December 2020 the Group had no borrowings and therefore there is no interest risk exposure.

Financial Assets

The Group is not exposed to significant interest rate risk on the financial assets, other than cash and cash equivalents, as these are lent at fixed rates, which reflect current market rates for similar types of secured or unsecured lending, and are held at amortised cost.

Cash and cash equivalents are exposed to interest rate risk as they are held at floating rates, although the risk is not significant as the interest receivable is not significant.

27. Share capital

	2020 £'000	2019 £'000
Issued, authorised and fully paid		
39,864,077 (2019: 39,736,476) ordinary shares of £0.05 each	1,993	1,987

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

The Group issued share capital amounting to £6,000 (2019: £104,000) during the year. Associated share premium of £307,000 (2019: £6,026,000) was created.

Options over shares of the Company are disclosed in note 28. Under these share option arrangements, there are 216,155 (2019: 404,109) open options over shares.

Employee Benefit Trust shares reserve

The Group presents these shares as an adjustment to own equity at the balance sheet date through the Employee Benefit Trust shares reserve. Movements in this reserve are shown in the Group statement of changes in equity.

The award of shares under PSP schemes is conditional upon certain vesting criteria, as outlined in note 28.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Gearing ratio

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

Gearing Ratio	2020 £'000	2019 £'000
Debt	-	26,000
Cash and cash equivalents	(34,453)	(12,003)
Net debt	nil	13,997
Equity	134,549	122,606
Net debt to equity ratio (a non IFRS measure)	nil	11.4%

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

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

Externally imposed capital requirement

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

28. Share-based payments

As at 31 December 2020, the Company operated three share award schemes (Approved Share Options Scheme, Unapproved Share Option Scheme and Performance Share Plan 'PSP'). There was a P&L release of £35,000 (2019: £267,000 charge to P&L) for the year in respect of the PSP scheme.

Awards that can be granted under the three schemes total a maximum of 3,986,408 shares (2019: 3,973,648 shares).

A. Approved Share Option Scheme ('ASOS')

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

The performance conditions applicable to the options granted in 2009 and 2010 have already been met. The performance conditions applicable to grants in subsequent years are as follows:

Options granted in 2011, 2012 and 2013 are subject to continued employment within the Group as at the exercise date.

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

The options outstanding at the year end were as follows:

	Grant date	Exercise price Pence	Number of shares	Earliest date of exercise	Expiry date
ASOS 2011	April 2011	298.5	55,552	18/04/2014	17/04/2021
ASOS 2012	March 2012	297.0	58,880	29/03/2015	28/03/2022
ASOS 2013	March 2013	292.3	68,166	28/03/2016	27/03/2023

The Group did not issue any share options during 2014 - 2020.

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

	2020 Number of share options	2020 Weighted average exercise price (in pence)	2019 Number of share options	2019 Weighted average exercise price (in pence)
Outstanding at beginning of the year	209,146	290.4	254,291	282.9
Forfeited during the year	(5,364)	287.5	(11,665)	289.6
Exercised during the year	(21,184)	245.5	(33,480)	234.0
Outstanding at the end of the year	182,598	295.7	209,146	290.4
Exercisable at the end of the year	182,598	295.7	209,146	290.4

28. Share based payments (continued)

B. Unapproved Share Option Scheme ('USOS')

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

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

The options outstanding at the year-end were as follows:

	Grant date	Exercise price Pence	Number of shares	Earliest date of exercise	Expiry date
USOS 2011	April 2011	298.5	8,139	18/04/2014	17/04/2021
USOS 2012	March 2012	297.0	8,933	29/03/2015	28/03/2022
USOS 2013	March 2013	292.3	16,485	28/03/2016	27/03/2023

The Group did not issue any share options between 2014 and 2020.

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

		2020		2019
	Number of share options	Weighted average exercise price (in pence)	Number of share options	Weighted average exercise price (in pence)
Outstanding at beginning of the year	194,963	254.0	361,281	229.3
Granted during the year	-	-	-	-
Forfeited during the year	(54,989)	245.5	(5,643)	292.5
Exercised during the year	(106,417)	245.5	(160,675)	197.2
Outstanding at the end of the year	33,557	295.0	194,963	254.0
Exercisable at the end of the year	33,557	295.0	194,963	254.0

28. Share based payments (continued)

C. Performance Share Plan ('PSP')

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

2018 PSP scheme

On 28 December 2018 a new PSP scheme was put in place.

The minimum conditions under the three-year performance period to 31 December 2020 were no met. No shares have or will be issued.

2019 PSP scheme

On 6 September 2019 the second PSP scheme was put in place. There are currently 11 senior managers and 1 Executive Director who are participants of the scheme. The maximum number of potential shares awarded under the scheme will be 198,027, including 21,610 for the Executive Director.

There is a three-year performance period to 31 December 2021 with the shares subject to the PSP awards being released during the following year subject to continued employment and the satisfaction of certain specific performance conditions. The awards are further subject to claw back and malus provisions.

The performance conditions for the awards are based on achieving growth in Total Shareholder Return over a three-year period at between 64.0% and 88.0% and Earnings per Share growth over the same three-year period at between 27.0% and 48.6%; there is a two-year retention period thereafter.

2020 PSP scheme

On 11 November 2020 the third PSP scheme was put in place. There are currently 13 senior managers who are participants of the scheme, together with 1 Executive Director. The maximum number of potential shares awarded under the scheme will be 426,908, including 118,774 for the Executive Director.

There is a three-year performance period to 31 December 2022 with the shares subject to the PSP awards being released during the following year subject to continued employment and the satisfaction of certain specific performance conditions. The awards are further subject to claw back and malus provisions.

The performance conditions for the awards are based on achieving growth in Total Shareholder Return over a three-year period at between 30.0% and 41.0% and Earnings per Share growth over the same three-year period at between 0.0% and 21.0%; there is a two-year retention period thereafter.

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

H&T Group plc
Group cash flow statement
For the year ended 31 December 2020

29. Notes to the cash flow statement

	2020 £'000	2019 £'000
Profit for the year	12,562	16,690
Adjustments for:		
Investment revenues	(5)	-
Financing costs	1,257	2,405
Increase in provisions	160	237
Income tax expense	3,070	3,393
Depreciation of property, plant and equipment	2,204	2,272
Depreciation of right-of-use assets	5,122	4,604
Amortisation of intangible assets	1,428	591
Right of use asset Impairment	531	-
Share-based payment expense	(35)	266
Loss on disposal of property, plant and equipment	99	70
Operating cash flows before movements in working capital	26,393	30,528
Decrease in inventories	1,679	105
Decrease in other current assets	713	163
Decrease/(Increase) in receivables	35,200	(5,500)
(Decrease)/increase in payables	(3,842)	5,347
Cash generated from operations	60,143	30,643
Income taxes paid	(3,707)	(2,604)
Interest paid on loan facility	(350)	(686)
Interest paid on lease liability	(736)	(1,524)
Net cash generated from operating activities	55,350	25,829

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

30. Acquisitions

The following acquisitions were made during the year:

	Total 2020	Total 2019
	£'000	£'000
Assets		
Goodwill	-	1,937
Intangible assets	35	3,891
Property, plant and equipment	3	1,185
Inventory	86	-
Trade receivables	177	11,727
Cash	-	1,012
Total assets acquired	301	19,752
Total consideration:		
Cash	301	19,752
Net cash outflow arising on acquisition		
Cash consideration	301	19,752
Less: cash balances acquired	-	(1,012)
Total assets acquired	301	18,740

Acquisition
On 30 November 2020, the Company acquired trade and assets from A.F.Discount Jewellery Ltd for total consideration of £301k. The fair value of financial assets includes trade receivables measured in accordance with IFRS 9 and intangible assets which have been valued by the Group based on discounted cash flow.

31. Related party transactions

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

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

Remuneration of key management personnel

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

	2020 £'000	2019 £'000
Short-term employee benefits	1,308	1,879
Pension contributions	65	63
Share-based payments	55	181
	1,428	2,123

32. Capital commitments

There is no significant capital expenditure authorised and contracted for but not provided in the accounts (2019: £nil).

33. Contingent Liabilities

As set out initially in our market release of 18 November 2019 and in subsequent updates the Group has been working with a skilled person appointed in conjunction with the FCA on a past-book review of our lending since April 2014 within the High Cost Short Term unsecured lending (HCSTC) market. The skilled person was appointed on 3 September 2020 under section 166 of the Financial Services and Markets Act 2000 to oversee the group's proposed redress methodology.

Given the ongoing disruption from the pandemic, the skilled person has currently been unable to carry out sufficient review to satisfy themselves on the appropriate methodology for establishing potential customer redress. The outcome of this review will now likely be delayed into the second quarter of 2021 and it is primarily for this reason that we are unable to reliably estimate the financial effect on the Group. H&T expects an outcome within previous guidance.

34. Events after the balance sheet date

The Directors have proposed a final dividend for the year ended 31 December 2020 of 6.0p (2019: 0.0p) (note 14).

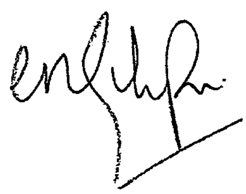
H&T Group plc
Group cash flow statement
For the year ended 31 December 2020

H&T Group plc
Parent company balance sheet
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments	C	44,818	44,853
		44,818	44,853
Current assets			
Receivables	D	72	75
Cash at bank and in hand		3	3
		75	78
Liabilities: amounts falling due within one year	E	(8,732)	(7,861)
Net current assets		(8,657)	(7,783)
Total assets less current liabilities		36,161	37,070
Net assets		36,161	37,070
Capital and reserves			
Called up share capital	F	1,993	1,987
Share premium account		33,486	33,179
Employee Benefit Trust shares reserve		(35)	(35)
Share option reserve		1,727	1,762
Profit and loss account		(1,010)	177
Total shareholders' funds		36,161	37,070

The financial statements of H & T Group plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 22 March 2021.

Signed on behalf of the Board of Directors by:



C D Gillespie
Chief Executive

H&T Group plc
Parent company statement of changes in equity
For the year ended 31 December 2020

2020

Company	Note	Called up share capital £'000	Share premium account £'000	Employee benefit trust shares reserve £'000	Share option reserves £'000	Profit and loss account £'000	2018 Total £'000
At 1 January		1,987	33,179	(35)	1,762	177	37,070
Loss for the financial year		-	-	-	-	(190)	(190)
Dividend paid		-	-	-	-	(997)	(997)
Issue of share capital	F	6	307	-	-	-	313
Share options	G	-	-	-	(35)	-	(35)
At 31 December		1,993	33,486	(35)	1,727	(1,010)	36,161

2019

Company	Note	Called up share capital £'000	Share premium account £'000	Employee benefit trust shares reserve £'000	Share option reserves £'000	Profit and loss account £'000	2018 Total £'000
At 1 January		1,883	27,153	(35)	1,495	4,712	35,208
Loss for the financial year		-	-	-	-	(172)	(172)
Dividend paid		-	-	-	-	(4,363)	(4,363)
Issue of share capital	F	104	6,026	-	-	-	6,130
Share options	G	-	-	-	267	-	267
At 31 December		1,987	33,179	(35)	1,762	177	37,070

H&T Group plc
Notes to the Parent Company financial statements
For the year ended 31 December 2020

A. Accounting policies

Basis of preparation

H&T Group Plc is a Company incorporated in England & Wales under the Companies Act. The address of the registered office is given on page 25. The nature of the Company's operations and its principal activities are set out in the business overview on page 9.

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

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

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

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

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

The particular accounting policies adopted are described below.

Taxation

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

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

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

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

Investments

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

A. Accounting policies (continued)

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 made a loss after taxation of £190,000 in 2020 (2019: loss of £172,000).

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 (2019: £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 2020	44,853
Release	(35)
At 31 December 2020	44,818

Within the cost at 1 January 2020 includes cost of shares in a subsidiary undertaking of £1.

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

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

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

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

D. Receivables

	2020 £'000	2019 £'000
Amounts owed by subsidiary companies	35	35
Prepayments and accrued income	37	40
	72	75

E. Liabilities: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	502	484
Amounts owed to subsidiary companies	8,186	7,347
Accruals and deferred income	44	30
	8,732	7,861

F. Called up share capital

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

G. Share option reserve

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