H & T Group plc

Annual Report and Financial Statements

For the year ended 31 December 2021

Registered number: 05188117

H & T Group
Annual report and financial statements
For the year ended 31 December 2021

H & T Group plc
Overview and key performance indicators

"The growing trading momentum and significant progress on our strategic objectives achieved by the Group in 2021 is very encouraging, and we have seen this positive momentum continue into 2022."

Chris Gillespie

Chief Executive

Key performance indicators

Our Vision (blue panel)
"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"

Pledge Book (£m)

Up by 38.5% (2020: £48.3m)

2021: £66.9m, 2020: £48.3m, 2019: £72.2m, 2018: £52.0m, 2017: £47.5m

Pawnbroking revenue less impairment (£m)

Up 9.1% (2020: £34.2m)

2021: £37.3m, 2020: £34.2m, 2019: £39.0m, 2018: £30.9m, 2017: £29.3m

Retail sales (£m)

Up by 21.5% (2020: £29.8m)

2021: £36.2m, 2020: £29.8m, 2019: £41.5m, 2018: £38.3m 2017: £35.4m

Retail gross profits (£m)

Up by 46.9% (2020: £11.3m)

2021: £16.6m, 2020: £11.3m, 2019: £13.6m, 2018: £13.2m 2017: £12.9m

Net personal loan book

Down 47.5% (2020: £5.9m)

2021: £3.1m, 2020: £5.9m, 2019 £16.6m, 2018: £20.5m, 2017: £14.9m,

Number of stores

Up by 1.6% (2020:253)

2021: 257, 2020: 253, 2019: 252, 2018: 182, 2017: 181

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

Adjusted Profit before tax

£ 10.0m

2020: £15.6m

Reported Profit before tax

£ 7.9m

2020: £15.6m

Adjusted diluted EPS

20.8p

2020: 32.1p

Reported diluted EPS

15.4p

2020: 32.1p

Dividend per share

12.0p

2020: 8.5p

H & T Group
Strategic Report

"H&T's trading performance in our core businesses since May has been the strongest, I have seen in my time with the Group"

Chairman's Report

H&T's trading performance in our core businesses since May has been the strongest I have seen in my time with the Group. The rebuilding of the pledge book, particularly in the latter half of the year, demonstrates a strong recovery in borrowing demand during a year of uncertainty and a changing trading landscape due to the continued and prolonged impact of Covid-19 restrictions. The Board is encouraged to have seen strong and increasing demand for our lending and retail products, which bodes well for future sustained growth and earnings.

The Year in Review

Our priority for 2021 was to focus on our core pawnbroking and retail businesses, planning to rebuild the pledge book as demand for borrowing returned, and to maximise retail sales and other opportunities once the Covid-19 restrictions were progressively relaxed from April 2021.

The positive trading momentum achieved has gone a long way towards rebuilding the pledge book back to pre-Covid-19 levels. **Retail** sales in the second half of the year were at record levels. These positive trends have continued into 2022, and we are confident the pledge book will rebuild to its pre Covid-19 level of £73m within the first quarter of 2022.

Our foreign currency product continues to experience reduced demand, as international travel has not yet returned to pre-pandemic levels. We are optimistic that with the easing of travel restrictions and the expansion of global vaccination programmes, international travel will return and that demand for our foreign currency product will increase and progress towards the volumes achieved in H2 2019 before Covid-19 travel restrictions were introduced. Offering foreign currency and other products broadens the appeal of the Group's stores and creates cross-selling opportunities.

Financial performance

Covid-19 restrictions were in place across the UK until April and had a significant impact on our business, particularly in respect of our in-store retail sales offering. This is not classed as an "essential service" by the UK Government and therefore all retail products were withdrawn from sale in stores during this period.

Following the lifting of these trading restrictions, demand for pledge lending soon returned, with momentum growing monthly from May. The pledge book grew by 38.5%, closing the year at £66.9m (2020: £48.3m). Despite the Covid-19 restrictions, demand for our high quality pre-owned and new jewellery and watches was strong and exceeded our expectations, particularly over the Christmas period. Retail revenue saw significant growth of 21.5% to £36.2m (2020: £29.8m) with momentum both in stores and online

The Group delivered a profit after tax and after non-recurring expense for redress costs of £6.0m (2020: £12.6m) and diluted earnings per share of 15.4 pence (2020: 32.1 pence). Subject to shareholder approval, a final dividend of 8.0 pence (2020: 6.0 pence) per ordinary share will be paid on 24th June 2022 to those shareholders on the register at the close of business on 13th May 2022. This will bring the full year dividend to 12 pence (2020: 8.5 pence). The Group has a progressive dividend policy, and as earnings recover in the future years, we expect to further improve returns to shareholders.

S166 Regulatory Review of the Group's High Cost Short Term Lending Business

We have worked closely with the FCA and the appointed skilled person since their review commenced in Q4 2019. I am pleased that good progress has been made in recent months and we have raised a provision of £2.1m which represents our best estimate of the expected cost of the redress programme.

Looking to the Future

Our store locations tend to be community based, and these locations have proven resilient in comparison with other retail centres which have suffered from ongoing reduced footfall. Stores are critical to our customer experience and

our strategy is to continue to develop our retail network in those geographical locations where opportunities exist to increase our presence. We continue to invest in improving and modernising our store estate. To further enhance our capacity for growth, the Group is investing in the development of its technology platform to deliver better customer experiences while significantly improving our ability to use transactional and product level data. Our websites and online journeys will be enhanced in 2022, to improve visibility, navigability and make it easier for customers to transact with us without necessarily having to visit a store.
We see the trading environment in the near term being positive for our business. We anticipate continued strong demand for our core pawnbroking product as the impact of inflation on the consumer increases the need for small sum, short term loans at a time when supply of credit is constrained more than has been the case for many years. We expect recovery in demand for foreign exchange services as overseas travel reopens and, as our increased marketing focus bears fruit, continued positive momentum in our sales of pre-owned retail jewellery and watches.

However, like all businesses, 2022 is likely to bring to H&T continued supply chain pressures, rising utility bills and in particular, wage inflation that will contribute to upward pressure on the costs of running our business. Cost management and achieving operating efficiencies will be a key management focus for the year ahead, while ensuring capital is invested where appropriate and where attractive returns can be achieved, specifically into our technology platform and our all-important store estate. We will always ensure our entry pay levels will remain above the National Living Wage with opportunities for progression as individuals develop their careers with H&T.

The Board is mindful of recent geo-political events. War in Ukraine and it's impact upon individuals, both directly and indirectly, is at the forefront of our minds. The inevitable consequence of these events will be further inflationary pressures on both businesses and individuals. In the short term, there has been an increase in the value of gold. We will be watching these dynamics very closely and will react accordingly.

Our emphasis on environmental impact, social responsibility and governance frameworks has received even greater focus over the course of the past year and continues to be a key objective of the Group. H&T supports the UK Government's commitment to implement the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations and its wider ambitions for sustainability, working towards mandatory TCFD-aligned disclosure obligations across the UK economy by 2025. H&T has established its carbon footprint base position in 2021 and is working towards TCFD implementation in the year ahead, and looking to achieve further progress in 2022, to ensure the Group meets the future reporting requirements of the FCA and to increase transparency on climate-related risks and opportunities for all stakeholders.

In respect of Board membership, further action is planned to broaden diversity in both the representation and skill set of the Board. A board effectiveness survey was concluded early in 2022, the recommendations of which are awaited and will be implemented.

Summary

In conclusion, we view the future with growing confidence, albeit with a close eye on the inflationary pressures mentioned above and of course the unknown future impact and trajectory of the ongoing Covid-19 pandemic.

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

Peter D McNamara

Chairman

H & T Group
Strategic Report

The strategic report discusses the following areas:

CUSTOMER SERVICE

At H&T we understand that our customers circumstances can change over time, and we look to provide a diverse range of services across our product portfolio to meet these changing needs.

Our customer base

Our lending products are traditionally accessed by customers who are not able to raise funds in the traditional banking credit system or who require a small value short term loan to meet an immediate funding need. Feedback from our customers highlighted the need for our Pawnbroking product to have flexibility. Taking onboard their feedback, the company implemented a new daily interest charge plan. We aim to provide an accessible and convenient source of funds, whilst building a lasting relationship with our customers in store.

Daily interest charge

To ensure we meet our customers' needs, the request for flexibility in payments in our loan products was supported by our move to provide a daily interest charge. This allows our customers the ability to repay their loan at any time and they are only charged interest for the days that they have made use of the service. The daily interest rate is calculated by annualising the monthly interest rate, this rate is then converted to a daily rate and the interest is compound interest over the period of use. Daily interest rates will automatically be applied to all new and renewed contracts.

The interest rate charged to our customers varies based on the value of the loan amount and is fixed for the term of the loan. Customer feedback has been positive and the move is in line with FCA expectations for similar loan products.

Our online pawnbroking pack

Our online pawnbroking service is simple, fast and easy to use. We are able to offer our customers a cash offer based on a submitted photograph of their item. If our offer of cash is accepted our customers can send their item via the postal service or a free courier service can be arranged.

Managing loans online

Our customers can manage their existing loans online using our online portal. This allows our customers to make online payments and renew contracts without having to visit our stores.

PRODUCT OFFERING

At the heart of our business is our determination to help customer's access funds in a safe and friendly way, either in person in store or via our online portal. Our ancillary services include foreign exchange, cheque cashing and money wire transfer services, while our jewellery retail offerings are focused on pre-owned and new jewellery along with pre-owned watches.

Pawnbroking

A pawnbroking loan is a secured loan with a term of six months. We lend to our customers against the assessed value of the item they wish to pledge, which is typically pre-owned jewellery or watches. We conclude a consumer credit agreement with the customer, charging a daily interest allowing customers' to repay their loan at a timing of their choice and only pay interest for the period for which they use the loan. Customers are always only liable to us for the amount of their loan and has no liability beyond the value of the goods.

Jewellery Retail

H&T offers a range of pre-owned as well as new jewellery and watches for sale. Our collection of pre-owned watches includes timeless classics from luxury watch brands, and we take pride in the authenticity and quality of our pre-owned items. All our jewellery and watch items undergo strict scrutiny by our expertly trained gemologists, watch team, and horologist who test for timekeeping and undertake extensive refurbishment procedures to ensure each item meets our highest standard of quality. Our retail products are available in our H&T stores across the UK and from our EST1897 online platform while our Southampton store is dedicated to our luxury branded products withinf EST1897. With a store estate of over 250 physical locations, customers may choose to view nationwide items listed on our website by visiting a store of their choice.

Personal Loans

Our personal loan product is available to customers' both in-stores and online. Personal loans are only approved to once an affordability assessment has been completed, we then offer flexibility as to the length and the regular repayment amount of the loan depending on our customers specific needs. For this product we complete a consumer credit agreement with our customers and collect regular repayments.

Purchasing

Customers can access funds by choosing to sell items, mainly pre-owned jewellery and watches, to us rather than to use the items as a pledge for a pawnbroking loan. This is a fast and easy process that can be concluded both in store and online. The online portal allows our customers to complete an application form and receive a quote quickly.

Foreign Exchange

We offer Currency Exchange Services, available across the store estate.

Money Wire Transfer

In partnership with Western Union, we support our customers in transferring money worldwide. The Western Union infrastructure allows us to provide safe and efficient money transfers from all stores.

Cheque Cashing

We offer a same day cheque cashing, a swift and efficient process that allows almost instant access to funds.

THE ESTATE
During 2021 all our stores remained open as a provider of an essential service with retail sales resuming mid-April. Investment in the store estate continued with the introduction of retail to all stores which fully completed the Money Shop integration. We also completed a full refresh of window signage across the store estate.

Store refurbishment resumed with four full H&T store upgrades, three Money Shop sites and the introduction of our new watch boutique in our city centre Glasgow store. We also completed the relocation of our Bootle and Croydon North End stores.

We opened five new stores, expanding our reach into the South West with a new store in Plymouth, consolidated our presence in the Midlands with two stores in Birmingham (Chelmsley Wood and Northfield), added Belle Vale in Liverpool and an additional store in Chatham, Kent.

A number of lease renewals were completed during the year on improved terms.

Finally, we have introduced an 'at home' service in selected stores to further support our customers which we expect to expand across the remainder of the business during 2022. This initiative further enhances our desire to support the communities we serve, giving our customers greater choice of how they interact with H&T.

Our Digital Development
Following the implementation of our online payment portal and online pawnbroking journey in 2020, we have further consolidated our websites and improved the customer journeys across all platforms.

During 2021 we have laid further foundations to support our digital strategy with the development of our new point of sale system. The new platform will improve our digital capability delivering a single customer view, electronic payments, and providing significant enhancements to store processes.

OUR MARKETING

2021 Marketing and Communications activity focused on building awareness of the H&T brand, driving footfall to our stores and traffic to our websites. Activity included a mix of both digital and in-store marketing as we started to develop a more contemporary visual identity for the H&T brand.

Continued to develop our visual displays in our windows

We supported a new look watch boutique window in our Glasgow store, updated windows across our store estate and created a new look display to support our store in Southall. Over 50 window displays were updated during the year.

Increased our discoverability through search

We continued to improve our discoverability through a targeted SEO strategy. We also increased our focus on digital Public Relations to build awareness and increase reach across our customer base.

Evolved our retail communications

We evolved our retail communications through fashion led photography, video content and high-quality product photography. We also partnered with an external agency to create a Christmas campaign which ran both in stores and online. The activity was designed to grow awareness and drive consideration with a broader audience. Our digital Christmas campaign drove increased visits to the EST1897 website, contributing to our highest ever recorded traffic figure in a month.

Refreshed our instore point of sale materials

We created new look point of sale materials that ran in stores across our store estate for both pawnbroking and retail products. Regular refreshes will be continued into the 2022 year and content will be locally targeted where relevant.

We embraced diversity through our communications

We developed more culturally diverse communications for example to support Diwali and Eid and created content that is more reflective of our audiences. Content ran across social media and other channels.

Supported pawnbroking online, in-store and at home

We launched a high impact campaign for pawnbroking and used targeted paid media to drive awareness and encourage store visits. We also supported 'at home service' initiative, through targeted local area marketing to grow awareness of our home-based services in local communities.

Broadened our reach though influencers and social

We re-developed our social media strategy and broadened our reach through partnering with targeted influencers. These relationships will be expanded in 2022.

In 2022, we will continue to evolve our visual identity, broaden our digital reach and support our stores through high impact window displays and point of sale activity. We will also focus on increasing awareness of pawnbroking and educating people on the benefits of using pawnbroking as an alternative method of finance.

Key Statistics

Social Impressions

Social Platform	2021	2020
Facebook	17,660,282	9,731,059
Instagram	1,927,317	634,505

- 56 new look store window displays.
- Over 800 new images created for retail
- Advertised to a combined influencer following of 328k.

Customer Demographics

	Pledge	PLoan	Retail	Purchase	TPC	FX
18-24	6%	7%	6%	7%	13%	11%
25-35	24%	24%	20%	21%	33%	20%
36-44	24%	26%	21%	19%	23%	16%
45-55	24%	29%	21%	20%	18%	18%
Over 55	22%	14%	32%	33%	13%	35%
Total	100%	100%	100%	100%	100%	100%

Customer Feedback (Source: Trustpilot)
H&T has 4,337 Trustpilot reviews with a five star rating of 4.9 of which 96% of reviews rated as excellent.
H&T Pawnbrokers Oxford.

"I went into H&T Pawnbrokers in Oxford last week and was greeted by friendly, helpful staff. I had a lot of stuff to get valued and choose to sell some. Gemma was fabulous. She handled my jewellery with care and explained anything she'd be doing, keeping me well informed. Great experience. Thanks so much"

Another Excellent Experience Blackburn

"Very pleased with the friendly and professional service I received again at my Blackburn store. I was served by Adele and Kaz, I received a better than expected valuation for my chain and the sale was completed promptly. I have become accustomed with excellent customer service from H&T, having dealt with them on several occasions and would not hesitate to recommend".

Watch Purchase

"Recently purchased a Rolex GMT Master 2 and was delighted by the transaction and professionalism during the process".

"Alec was excellent from start to finish as he worked very hard to ensure I got the best deal possible."

"I was impressed by the friendliness of Janey and all her team and I can honestly say I was very happy with the experience of buying the watch."

CHIEF EXECUTIVE'S REVIEW

"I am pleased with the increasing demand for our core pledge lending product, returning to pre-pandemic levels during Q4 and record lending in December, with the highest number of new customers borrowing from us that we have seen for several years.".

Chief Executive's Review

The growing trading momentum and significant progress on our strategic objectives achieved by the Group in 2021 is very encouraging, and we have seen this positive momentum continue into 2022. I am pleased with the increasing demand for our core pledge lending product, returning to pre-pandemic levels during Q4 and record lending in December, with the highest number of new customers borrowing from us that we have seen for several years.

The Covid-19 pandemic brought severe trading restrictions until late April and progressive relaxations thereafter. Thanks to the outstanding efforts of all of our employees, we were able to keep all but two of our stores open as the financial services products offered by the Group were defined as "essential." All retail sales in our stores ceased, in line with government guidelines for non-essential retail businesses. Our on-line retail business continued to operate during this period, serving our customers remotely and through click and collect options within our store estate. These trading restrictions were relaxed progressively, and at different paces, by the UK government and the devolved administrations in Scotland and Wales. Since that time, trading has been very strong with growing momentum across our product range.
During the period of trading restrictions from January to April, we made use of the flexible furlough arrangements put in place by the UK Government. The financial support we received amounted to £1.3m (2020: £3.4m) and has been reported, as required by the accounting standards, in the financial accounts as "other income" (see note 2).

After the progressive lifting of the trading restrictions, robust demand for our core pledge lending product and new and pre-owned jewellery and watch retail sales returned and gathered momentum over the remainder of the year. The fourth quarter saw particularly strong lending volumes, as demand returned to pre-pandemic levels and reached record levels in December, and retail sales over the Christmas period exceeded our forecasts.

Key Performance Indicators
The Group's profits before tax and after non-recurring expenses reduced to £7.9m (2020: £15.6m) with diluted earnings per share of 15.43p (2020: 32.11p). The non-recurring expense for the anticipated cost of redress and the reduction in net revenue from unsecured personal lending, contributed significantly to this reduction.

The balance sheet evidences a strong net asset position of £136.6m (2020: £134.5m), comprising primarily the pawnbroking pledge book of £66.9m (2020: £48.3m), retail stock of £28.4m (2020: £27.6m) and cash and bank balances of £17.6m (2020: £34.5m).

Our financing facilities of £35m (2020: £35m) remained unutilised and are on hand to support our future growth. The facilities were renewed and extended to comprise a three-year revolving credit facility of £15m and an overdraft facility of £20m in December 2021.

Review of Operations

Pawnbroking

Borrowing demand returned strongly as government restrictions were eased progressively from April. The need of customers for small sum, short term credit returned strongly at a time of constrained supply following the departure from the unsecured lending markets of a number of firms. This gap in the market creates a growth opportunity for pawnbroking and, as the market leader, for H&T in particular. Monthly lending volumes grew incrementally in each month from May, with Q4 volumes returning to pre-pandemic levels and record lending in December. The pledge book grew by 38.5% to £66.9m (2020: £48.3m), with almost all this growth taking place in the second half of the year. This strong demand has continued into the new year. Risk adjusted income amounted to £37.3m (2020: £34.2m) an increase of 9.1% on prior year and margin of 69.5% (2020: 58.1%).

Redemption rates remain above historic norms. However, more time is needed to assess the longer-term trend in redemption rates post Covid-19 given the significant growth in the book, especially in Q4. Loan-to-value ratios have been maintained at historic levels of around 65% and average pledge loan value was broadly stable at £339 (2020: £310).

Pawnbroking summary

	2021 £'m	2020 £'m	Change %
Year-end net pledge book – note 1	£66.9m	£48.3	38.5%
Average net pledge book	£53.7m	£58.9	(8.8%)
Revenue less impairments	£37.3m	£34.2	9.1%
Risk adjusted margin – note 2,3	69.5%	58.1%	11.4%

Notes:

1. Includes accrued interest and impairment

2. Net revenue expressed on an annualised basis as a percentage of the net pledge book

3. Risk Adjusted Margin in 2020 was adversely impacted by the cessation of interest charges whilst stores were closed due to Covid-19 related trading restrictions during March to May 2020

Retail

Retail sales for the year increased by 21.5% to £36.2m (2020: £29.8m) with gross profits increasing by 46.9% to £16.6m (2020: £11.3m) and record sales in the second half. Margins improved to 45.9% (2020: 37.9%) due to dynamic pricing and a change in the mix of products sold, with demand for high-quality pre-owned watches particularly strong. Sales of new products represented 16.1% (2020: 17.7%) of total sales. Online sales progressed extremely well, increasing 40.5% to £5.2m (2020: £3.7m) and contributing 14.4% (2020: 12.4%) of total retail sales. We have increased our online marketing presence particularly on social media, with a focus of building brand awareness and we will be rebuilding our web capabilities in 2022 to improve visibility, navigability, and customer journey.

In line with government guidelines, the Group was unable to sell jewellery from its stores from January to April. Online sales continued uninterrupted throughout the year.

Inventories held at the year-end increased slightly to £28.4m (2020: £27.6m).

Gold Purchasing

Gold purchasing contributed £3.4m (2020: £6.8m), with sales of £20.4m (2020: £21.5m) reflecting lower volumes particularly in the first half of 2021. The gross margin of 16.6% (2020: 31.6%) remained relatively consistent throughout the year (H1 2021: 16%) as margins trend back to historical levels after the positive impact of the particularly high gold price during 2020.

Personal Lending

Revenue after impairment reduced to £4.3m (2020: £8.1m) as the book reduced to £3.1m (2020: £5.9m), down 47.5% and repayments and reduced impairment provisions exceeded the value of new loans granted. Non-HCST lending volumes remain muted, with new loans granted of £2.6m (2020: £4.8m). An impairment release of £1.5m in 2021 versus a charge of £1.7m in 2020 contributed to improved risk adjusted margins of 119.5% (2020: 79.4%), and improved impairment coverage ratios.

No HCST loans were granted during the year, other than a small sample of loans required as part of the S166 review.

The reduction in net revenue to £4.3m (2020: £8.1m) represents a significant factor in the Group's reduced 2021 profit before tax. An internal review of the future role of personal lending as part of our product range is being undertaken.

Personal Lending Summary

	2021 £'m	2020 £'m	Change %
Year-end net loan book	£3.1	£5.9	(47.5%)
Average monthly net loan book	£3.6	£10.2	(64.7%)
Revenue	£2.9	£9.8	(70.4%)
Impairment release /(charge)	£1.5	(£1.7)	188.2%
Revenue net of impairment	£4.3	£8.1	(46.9%)
Impairment % of average loan book	41.7%	(16.7%)	
Risk adjusted margin – note 1	119.5%	79.4%	40.1%

Notes:

Note 1 – net revenue expressed on an annualised basis as a percentage of average net loan book

Scrap

The gross value of scrap sales in 2021 was £11.0m (2020: £19.2m). Gross margin of £2.0m (2020: £6.2m) was down significantly on the prior year as the smaller pledge book and higher redemptions contributed to reduced flow of pawnbroking related items to be scrapped. Gold purchase was also subdued in H1 2021, especially during the COVID-19 restrictions from January to April, with significant positive momentum seen in H2.

The gold price remained broadly static through the year with average price per troy ounce of £1,308 (2020: £ 1,379). H1 2020 saw an unusually high gold price which coincided with the start of the pandemic. On the 30 June 2021, the gold price was £1,272 (30 June 2020: £1,440). The gold price directly impacts the revenue earned on gold scrap and in the case of gold purchasing, affects consumer demand.

Other Services and Other Revenue

Other services include Foreign Currency (FX), money transfer via Western Union and cheque cashing transactions.

Together, these services generated £5.4m (2020: £6.0m) of net revenue, down 10%, with FX being the largest contributor to this reduction.

FX gross profit contribution reduced to £3.0m (2020: £3.4m) as international travel and consequent demand for FX continued to be impacted by Covid-19 restrictions. Transaction volumes were approximately 30% of pre-pandemic levels and showed improvement in the second half of the year as there was early evidence of returning demand following travel restrictions being eased. The average transaction size was £388 (2020:£380).

Money transfer activity is a significant driver of footfall to our stores and facilitates product cross selling opportunities. Revenues grew by 18.2% to £1.3m (2020: £1.1m) underpinned by increasing transaction volumes of 461k (2020: 382k).

Cheque cashing volume continues to reduce as a result of the broader systemic decline in the use of cheques in the UK economy. This is reflected in its revenue contribution, reducing by 8.3% to £ 1.1m (2020: £1.2m).

Regulation – FCA S.166 Review

As previously advised, the Group has been working with the FCA to undertake via a skilled person, a review of the creditworthiness, affordability assessments and lending processes within its HCST loan business since 2014. Good progress has been made and we anticipate an early conclusion to the review. As required under IAS37, we now believe we are in a position to quantify a reasonable best estimate of the expected outcome and the cost of the subsequent redress programme. A provision of £2.1m has been raised in this regard. As the FCA's review is not yet complete, it is possible that the final outcome may differ from this best estimate. Further updates will be provided as soon as we are in a position to do so.

Strategic Initiatives and Outlook

Following the easing of the Covid-19 lockdown restrictions progressively from April, we have seen demand for small-sum short-term pawnbroking loans return with growing monthly momentum. This has continued into 2022, with the pledge book growing further to £72.2m at the end of February. We are expecting the return of our core pawnbroking pledge book to pre-pandemic levels during Q1 2022, earlier than previously forecast, and to continue to grow thereafter. The timing mismatch in revenue recognition between IFRS 9 day one impairments and interest earned on the underlying pledge loans is expected to normalise in 2022 as we anticipate that the rate of monthly growth will moderate.

Our cash balances have reduced as we have deployed these funds into supporting the growth of the pledge book and we will benefit from the yield generated on a higher average pledge book in 2022. We remain committed to our strategy to focus on our core pawnbroking and retail sales businesses. We intend to grow our physical store estate further in 2022 by expanding into under-represented geographies, investing in our digital strategy and broadening our customer reach through our marketing activities, both nationally and increasingly online.

Our new and pre-owned jewellery and watches retail business remains a key strength of the Group and will receive increasing focus. We look forward to a growing contribution to our retail sales from our online platforms as we continue our digitisation strategy, which will support our growing business by introducing standardised point of sale processes across our product set. These simplified processes will allow for robust data management, improve the navigability of our websites and our customers' journey when they interact with us online, and supports our ESG goal of reducing paper consumption.

We have made substantial strides to improve diversity across our teams during recent years, and this will continue. The environmental, social and governance (ESG) goals which have been set in 2021, demonstrate our commitment to be an even more responsible organisation, further supported by agreed ESG development targets which are included in the management's objectives for 2022. We are working towards the Taskforce on Climate-related Financial Disclosures (TCFD) implementation and are looking to make further progress on this reporting in 2022.

The Group will be unable to avoid the broader macro-economic pressures of rising cost inflation, bringing cost management to the forefront of our plans for the year ahead. We will strive to optimise our cost base, delivering operational efficiencies where possible and leverage our new technology platforms to improve customer experience at reduced cost.

The continued underlying trading momentum, and our focus on providing community based financial and retail services which closely match the needs of our customers, provide exciting growth opportunities for the Group. We anticipate opportunities for organic growth by capturing increasing market share and there is potential for further market consolidation. We are encouraged by the strong start to the new year and we view the future with growing confidence.

Chris Gillespie
Chief Executive

Gross profit breakdown

	2020	2021
Pawnbroking	49.3%	59.6%
Retail	14.3%	22.2%
Gold Purchasing	8.6%	4.5%
Pawnbroking Scrap	7.8%	2.7%
Personal Loans	12.4%	3.8%
Other Services	7.6%	7.2%

Store development

	2016	2017	2018	2019	2020	2021
Acquired	-	-	1	70	1	0
New Stores	-	-	-	-	1	5
Closed	(8)	-	-	-	(1)	(1)
Estate Total	181	181	182	252	253	257

	Gold price (£ per troy oz)			
	End of period sterling gold price	**Average sterling gold price**	**Max sterling gold price**	**Min sterling gold price**
2017	960.8	976.5	1,031.0	924.4
2018	1,005.5	950.1	1,009.2	901.3
2019	1,157.8	1,093.8	1,278.1	972.9
2020	1,382.6	1,379.1	1,574.4	1,151.4
2021	1,347.1	1,308.2	1,433.7	1,220.1

"The Group reported gross profit of £75.4m (2020: £82.8m), a robust result underpinned by strong segmental contributions and quality of earnings"

Chief Financial Officer's Review

The Group delivered profit before tax of £7.9m (2020: £15.6m). Removing the impact of the non-recurring expense item of £2.1m, the adjusted profit before tax was £10.0m.

H&T received the benefit of £1.3m (2020: £3.4m) of government support during the strict Covid-19 trading restrictions from January to April in the form of Job Retention support schemes, which has been reported as part of "Other Income" as required by the accounting standards

The Group reported gross profit of £75.4m (2020: £82.8m), a robust result underpinned by strong segmental contributions and a high quality of earnings. Increasing gross profit contributions this year were reported by the pawnbroking segment, growing 14.6% to £44.7m (2020: £39.0m), and by the retail segment, growing 46.9% to £16.6m (2020: £11.3m).

As a result of trading and travel restrictions, together with a softening of the gold price and travel restrictions, less robust results were delivered by gold purchasing, contributing £3.4m (2020: £6.8m), scrap sales £2.0m (2020: £6.2m), personal loans £2.9m (2020: £9.8m), with the remaining products making up the balance of £5.4m (2020: £6.0m).

The largest contributor to the reduction in gross profit was from personal lending, which reduced to £2.9m (2020: £9.8m) as repayments outweighed revenue earned from new lending during the year.

Pawnbroking income in the financial year is strongly correlated with the average pledge book balance and with the growth in the pledge book weighted to Q4, the majority of the margin on these loans will be earned in 2022. Retail sales produced a particularly strong performance with increasing momentum from May, peaking over the Christmas period.

We will be focused on achieving operational efficiencies in 2022, as the Group will seek to alleviate the impact of inflationary pressures. Close control of costs in 2021 enabled us to keep operating costs broadly flat at £65.2m (2020: £65.9m).

A provision of £2.1m was raised ahead of the anticipated implementation of the required HCST customer redress programme, currently our best estimate of the outcome and as required under IAS37. This is disclosed separately as a non-recurring expense in the income statement.

TRADE RECEIVABLES AND IFRS 9

The Group recognises a trade receivable on the day a pledge loan is granted, on which interest is earned using the effective interest rate over its expected contractual term of six months. A proportion of customers elect to repay their loans in whole or in part, earlier than the contracted six months term, or choose to forfeit their pledge items at the end of that term. In the case of the former, this reduces the expected interest income derived from the loan. In the case of the latter, no interest income is recognised. The dynamic impact of these factors has a direct correlation with the expected future interest income to be earned on the pledge book.

The Group measures loss allowances for pledge loans using the IFRS 9 expected credit loss model, which considers the future expected interest income to be earned considering redemption rates and repayment profiles.

IFRS 9 requires an impairment provision to be raised on origination of a pledge loan to reflect anticipated lost future revenue, while interest income is earned over the full life of the pledge loan. As the pledge book is growing, the mismatch between the IFRS 9 charge and the recognition of interest revenue is more pronounced. The adverse PBT impact of this in Q4 2021, which is reflected in risk adjusted revenue, was approximately £1.5m. This is expected to normalise in 2022.

COSTS

Other direct expenses reduced to £46.3m (2020: £50.2m) as lower impairment charges and Covid-19 related factors contributed to cost savings in the year, particularly Government support in the form of rates relief.

Admin expenses increased to £18.9m (2020: £15.7m) primarily as a result of increasing staff costs, including the impact of our staff complement to support a "pawnbroking anywhere" trial, offering customers in selected locations the option of a home-based service. Further, we continue to ensure our people are fairly remunerated and salaries were reviewed in Q4. Variable operating costs, such as travel, returning to a more normal run rate after the progressive lifting of the Covid-19 restrictions, also contributed to the increase.

Finance costs of £1.2m (2020: £1.3m) relate mainly to IFRS 16 accounting for leases. H&T Group did not draw on its funding facilities during the course of the year and as a result has not incurred any funding costs for the year other than the fee for the unused portion of the revolving credit facility of £32m until 29 December 2021, when the facility was renewed and reduced to £15m.

NON-RECURRING EXPENSE

A redress cost provision of £2.1m has been raised as at 31 December 2021, as required under IAS37. This anticipates an early conclusion to the review, and agreement by the FCA that we may proceed to implementation of the methodology for conducting the required past-book review and subsequent redress programme. It is possible that the final outcome may differ from the best estimate applied in making this provision. As this cost is one-off in nature, it has been disclosed as a non-recurring expense.

TAX

Taxation for the year was £1.8m (2020: £3.1m). The Group is in a tax paying position with an effective tax rate that is higher than the corporate taxation rate of 23.1% (2020: 19.6%) as the provision raised for the estimated future redress costs of £2.1m is likely to not meet the requirements of a tax-deductible expense.

BALANCE SHEET

The Group's net assets increased to £136.6m (2020: £134.5m) after dividends paid in 2021 of £4.0m.
In line with the Group's strategy to rebuild the pawnbroking pledge book, the book grew to £66.9m (2020: £48.3m), supported by strong lending momentum in the second half of the year.

The growth in the pledge book was funded by utilising the Groups cash resources, with closing cash and bank balances of £17.6m (2020: £34.5m). Along with the Group's unutilised funding facilities, sufficient resources exist to fund anticipated future growth, as well as the opportunity to take advantage of inorganic investment opportunities, if they arise.

Inventories increased slightly to £28.4m (2020: £27.6m). Pre-owned and new retail watch and jewellery stock levels were maintained to support buoyant retail sales.

CASH FLOW

The Group utilised £16.8m of cash its resources during the year (2020: increase £22.5m), after paying dividends of £4.0m (2020: £1.0m) and rebuilding the debtors' book, predominantly the pledge book, by £15.6m (2020: decrease of £35.2m). The Group held cash balances of £17.6m (£2020: £34.5m) at 31 December.

The Group's financing facility of £35m remained undrawn throughout the year. This facility was renewed on 29 December 2021 to comprise a combination of a £15m three-year revolving credit facility and a £20m overdraft facility. We believe that this structure better fits the anticipated borrowing needs of the business.

The revolving credit facility is subject to margins between 1.7% and 2.45% above SONIA, with a commitment fee of 50% of the margin on the undrawn portion of the facility. The facility has a maturity date of 28 December 2024.

The overdraft margin is charged at 1.7% above the Bank of England base rate. The overdraft has a renewal date of 31 October 2022.

The covenants to which the facilities are subject are included in the table below:

	Total Net Debt to EBITDA	Interest Cover ratio	Fixed Charge cover ratio
Facility covenants	2.5 x	4 x	1.5 x
31 December 2021	0.0 x	172.9 x	104.4 x
31 December 2020	0.0 x	64.7 x	45.7 x

ASSET CARRYING VALUE 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 required to be impaired as required by accounting standards. The Group has also considered if its right-of-use-assets (property leases) are fairly valued. A fair value adjustment reversal of £0.2m (2020: charge of £0.5m) has been applied in respect of its right-of-use-assets.

GOING CONCERN

The Group has assessed the impact of appropriate scenarios and has significant cash resources and financing facilities available. The Group therefore continues to adopt the going concern basis for preparing these financial statements.

SHARE PRICE AND EPS

The closing share price at 31 December 2021 was 295p (2020: 258p) with a market capitalisation of £117.3m (2020:102.6m). Basic and diluted earnings per share were 15.4p (2020: 32.1p). Our net asset value per share was 348.9p (2020: 343.9p).

Diane Giddy

Chief Financial Officer

PRINCIPLE RISKS AND UNCERTAINTIES

The Directors of H&T Group Plc conduct 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 internal audit plan, this considers the current risks faced by the Group. The risk and 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 risk appetite is embedded within the Group's management and governance processes and is overseen by the Board. The risk management framework ensures there is clarity and consistency in the Group's approach to managing risks. 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 line model with dedicated Internal Audit and Risk and Compliance functions • Completion of the annual risk-based compliance monitoring and internal audit plan • Well-developed procedures, training, systems, and operational controls • Head of Risk and 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 Group's operations and revenues due to one or more operational incidents or natural disasters.	• Store network is distributed throughout Great Britain • Online portal available for customers to manage pledge agreements

		• On-going investment in Group websites and technology platforms • Support functions enabled to work remotely • Core systems and data secured through high availability cloud providers • Online Pawnbroking services available to our customers • Stores able to work on standalone basis for periods • Staff support availability from other stores • Robust and effective internal controls to prevent and detect operational events
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 • 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 liquidating pledged items • Increase retail sales contribution to revenue
Theft and fraud	Loss of inventory or pledge	• High levels of physical security in locations where inventory is held • Insurance for material losses • Systems and procedures to minimise risk of theft and fraud
	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 Group's complaints, legal challenges 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 • Legal expertise within Company Secretarial function
Cyber security, denial of service and data loss	With increasing 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. 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 • Utilise appropriate levels of industry standard information security solutions and best practice for critical systems • Implementation of "Zero Trust" Network segmentation between core sites and systems to limit attack vectors • DDOS (Distributed Denial of Service) protection using modern countermeasures • Conduct proactive internal vulnerability scanning and external penetration testing to identify vulnerabilities and deliver improvements • Improve staff threat awareness training • Achieved Cyber Essentials Plus certification • Regularly reviews of employee access rights based on "minimum access" and RBAC (Role Based Access Control) •
Covid-19	Failure to implement evolving and changing Covid-19 pandemic restrictions in stores or office locations could result in employees 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 should a new virus outbreak reoccur or	• Flexibility to adapt to the ongoing and changing landscape of Covid-19 restrictions • When required, employee and customer guidance regarding social distancing and hygiene measures communicated via posters, website and direct communications • Homeworking enabled where possible • Regular communication to staff regarding latest Government guidelines, including self-isolation and hygiene factors

	ii) reduced product demand resulting from changes in consumer behaviour, e.g., less overseas travel or reduced high street footfall Third party supply-chain delivery interruptions, cost inflation and service delivery interruptions due to staff shortages	• Awareness of the vulnerability status of employees who remain shielded • Online services developed to meet customer requirements – e.g., online pawnbroking, payment portal and online unsecured lending channels reviewed • A 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 loan repayments even where stores are closed • Monitor, report and assess supply chain and service provider disruptions • Robust supplier on boarding procedures in place

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 provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

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

Interest rate risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. 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 cash and bank balances, trade, and other receivables. The Group's credit risk is primarily attributable to its trade receivables, which is the pledge book, personal loan book and cheque cashing balances. Exposure on pledge book receivables is dispersed over a large customer base mitigating potential concentration risk. See note 26 for further details.

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

The risks attached to the unsecured personal loan book are decreasing as the portfolio winds down post the decision to cease HCSTC lending in 2019. The risks attached to the current personal loan book are mitigated by the ongoing monitoring of bad debts and a tightening of lending criteria for personal lending. The Group performs an external credit check on all customers prior to concluding a lending agreement. 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 provision is raised on loan origination based on expected losses estimated by the approved impairment model, previous experience of redemptions 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 (of cash and bank balances) 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	
	2021	**2020**
Barclays Bank plc	A1	A1
Lloyds Bank plc	A1	A1

The Group had no significant concentration of credit risk at year end other than on bank balances of £nil with Barclays Bank plc (2020: £106,000) and £9,306,000 (2020: £26,215,000) 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 2021, the Group had £35.0m (2020: £35.0m) 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 comprising a three-year Revolving Credit Facility of £15.0m (2020: £35.0m RCF facility) and an overdraft facility of £20.0m. The Group also has cash and bank balances on hand to support operating activities of £17.6m (2021: £34.5m)

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

Price risk
The Group has limited exposure to price risk as the majority of its jewellery stock and all of its scrap gold is acquired through unredeemed pledges which have a cost to the Group which is lower than its retail value. The Group is however exposed to adverse movements in the price of gold on its gold scrap activities and the value of the pledge collaterals. Should the price of gold drop significantly, the Group can mitigate the 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.

SECTION 172 (1) STATEMENT

In accordance with the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) the Directors set out below how they have had regard to the requirements of section 172(1) of the regulations. 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 Group's, explaining how we engage and strive to develop collaborative relationships.

To demonstrate the decision-making process and how the Directors have considered the matters in section 172(1) of the Act when making those decisions, the table below includes some examples of decisions made during the course of the year, the stakeholders impacted, points considered and the outcome of the decisions. While the pandemic continued to disrupt our short-term momentum, the Board's actions and activities have continued to flow from (and support), our longer-term strategic planning direction.

Board Action	Stakeholders	Considerations	Outcome
Ensure sufficient funding to support continuing business activities	Shareholders Customers Employees Suppliers	Short term funding capacity availability that is flexible and cost effective to support the immediate and foreseeable business requirements Lending covenants, security arrangements, fees and margin should be appropriate.	Financing facility was renewed to comprise a Revolving Credit Facility of £15m and Overdraft facility of £20m which will meet future planned and foreseeable business requirements. This includes optimal pricing of fees and margin for both the used and unutilised facilities. Covenants are less onerous than historic arrangements
Protect our customers and staff during the Covid-19 pandemic while ensuring continuity of operations of the Group	Employees Customers Government Suppliers Shareholders	The Group's business needed to operate within the Government Covid-19 trading guidelines while prioritising the safety of all employees and customers. Financial Services were classed as an essential service by the Government, so H&T stores were able to remain open.	Accommodated flexible remote working for our employees where possible. Ensured social distancing and cleaning protocols, supported by safety equipment, were in place where possible. No in store retail sales took place from January to April in England (later in Wales and Scotland) in line with the Government Covid-19 trading restrictions. During this time On-Line operations remained fully open. Supply chain logistics were monitored to

			ensure uninterrupted business operations There was open and frequent dialogue and flow of reporting to the Board as the business navigated operating during the Covid-19 pandemic.
Support customers by providing accessible and flexible products.	Customers	The Group's strategy is centred around meeting the needs of those customers that are excluded from mainstream credit.	Introduced daily interest charge, allowing customers to pay interest only for the period for which they make use of the loan facility.
Work closely with the FCA and appointed skilled person in the review of the Group's High-Cost Short Term Credit (HCST) business	Regulator Customers Shareholders	Ongoing and transparent dialogue with the FCA and appointed skilled person, to work towards resolution of the review of the HCST loan business.	Progress made with the FCA as to the most appropriate methodology to be applied to ensure affected customers are appropriately redressed.

Early in 2022, we conducted a third-party evaluation of Board performance and effectiveness, applying the principles of the Corporate Governance Code. No areas of material concern were highlighted from previous reviews.

The Board has identified the following key stakeholders: Shareholders, Customers, Suppliers, Government and Regulatory Bodies, Employees, and our Environment and Social Impact.

OUR SHAREHOLDERS

We aim to generate value for shareholders by delivering sustainable growth in profitable returns on capital over and above H&T's cost of capital and look 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 and value personal contact and individual dialogue, with a significant time for shareholder meetings working with our Nominated Advisor and Broker (Shore Capital) and with PR consultants (Haggie Partners) to provide ongoing communication support.

We engage with our major 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 37 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 income, or who have experienced a significant life shock.
The FCA estimate that in the UK, more than one million people are "unbanked," almost half of adults do not have enough savings to cover an unexpected bill of £300 and 9.6 million households in the UK have low incomes.

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

H&T's commitment to meeting the needs of those excluded from mainstream credit, through the creation of a range of simple, fair and accessible products is at the heart of the way we do business. Our breadth of services from purchasing, pawnbroking and personal loans, provide customers with a range of simple options to raise cash when needed. We regularly review our products and services to ensure they continue to meet the changing needs of our customers, as was evident when we introduced daily interest rates for our customers during the course of the year. This allows our customers to pay interest only for the days for which they have utilised the pledge loan. We are committed to our local communities and strive to offer a world class face to face service that is safe and secure, providing customers easy access to well-trained people. Our online offering provides an alternative, giving them greater choice. We continually invest in technology improvements, taking into account feedback, in order to improve quality standards and the customers' experience.

OUR SUPPLIERS
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 ESG objectives are important to the Group, and we continue to work to develop these ongoing relationships. Our vendor sourcing process continues to gain momentum as our supplier selection process includes a request for Proposal (RFP) and weighted scorecard. We incorporate ESG within the tender requirements and as a result we have started our journey to reduced our carbon footprint.
The Group continues to follow best industry practice for effectively managing our third party suppliers, mitigating vendor risk through robust vendor due diligence and risk controls along with identifying strategic cost saving opportunities. We seek to ensure that each supplier adheres to appropriate standards of trade and wherever possible we implement and monitor service level agreements.

During 2021, the Group continued to proactively engage across the business and our core suppliers to mitigate potential supply chain constraints brought about by the Covid-19 pandemic.

H&T is opposed to slavery and human trafficking within its operations and the supply chain we utilise and will not knowingly support or do business with any organisation involved in slavery or human trafficking. Our statement on compliance with the Modern Slavery Act 2015 is published on the Group's website and registered on the government's new registry service.

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 taxation 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, REGULATORY BODIES, AND INDUSTRY 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 37 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).

OUR PEOPLE

At H&T our business success is based on a skilled, motivated and committed team. Our teams have faced another challenging year during the Covid-19 pandemic, and we have prioritised their health and safety so that they have been available for our customers. We supported our employees by tracking those affected by the pandemic, understanding the broader impact on their health and wellbeing, and providing additional support, education and development. Over 92% of our employees reported that they felt safe and were able to work effectively during this time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental, Social and Governance (ESG)

We act with integrity and responsibility to do the right thing in protecting our planet, nurturing our people and governing our company for the benefit of all stakeholders. We look to manage our business responsibly and focus on supporting our key stakeholders such as customers, employees and wider society, with our immediate focus being the prioritisation of material ESG issues and engagement with stakeholders

As part of our evolving ESG journey, we are committed to being a more responsible organisation with an internal task force that includes representatives from the business to embed ESG across the organisation ensuring greater awareness of ESG impacts on our business decisions
The need for increasing transparency on climate-related risks and opportunities for stakeholders remains top of mind.

Sustainability is an integral part of long-term business success and ESG considerations are important to the Group and the Board. Therefore, ESG development had been included as a target, as part of the non-financial bonus element for the executive Directors and an internal taskforce has been established with representatives from the business to embed ESG across the organisation.

We reference the recommendations and recommended disclosures of the Financial Stability Board's (FSB) Taskforce on Climate-related Financial Disclosures (TCFD). We support the UK Government's commitment to implement the TCFD's recommendations and its wider ambitions for sustainability working towards mandatory TCFD-aligned disclosure obligations across the UK economy by 2025. We are working towards TCFD implementation in the year ahead, and looking to achieve further progress in 2022, to ensure we meet with the future requirements of the FCA and to increase transparency on climate-related risks and opportunities for all stakeholders.

Environmental

We aim to responsibly manage the environmental impact of our business operations, reducing waste, increasing recycling, and working to reduce our climate impact.

In March 2021, H&T were certified as having Zero waste to Landfill.

We have increased the amount of waste recycled to 69% (2020: 55%) and this will remain a focus for 2022.

We recycle 99% (2020: 98%) of pre-owned jewellery through selling as pre-loved, upcycling, or melting into gold.

The Group's greenhouse gas (GHG) emissions and energy use has been assessed and reported in accordance with the GHG Protocol Corporate Standard methodology. The Group has identified Scope 1 emissions and Scope 2 emissions, which include indirect GHG emissions from the generation of purchased electricity that it has consumed. H&T partners with a renewable energy supplier, Drax Power, who provide 100% of their energy through renewable means.

The reporting period of the GHG and energy use aligns to the financial reporting period of the Group which is the twelve months ended 31 December 2021. To report the annual emissions in relation to the quantifiable factor that represents the Group's activities, an intensity ratio has been chosen of tonnes of C02e per full time employee. The proportion of the greenhouse gas emissions reported in the table below that relate to the UK is 100%.

Greenhouse Gas Emissions and Energy Use	**Base**	**2021 tonnes CO2E**
Scope 1: Emissions from transport and F-gasses associated with refrigeration and air-conditioning associated with workspaces		73.0
Scope 2: Annual quantity of emissions in tonnes of carbon dioxide from the purchase of electricity	4,901,055 kWh	1,040.6
Tonnes of CO2e		**1,113.6**
Carbon intensity (per fulltime employee)		**0.9**

Social:

Nurturing our people and engaging with the communities are both important for our business, supporting our human capital and aiming to address social issues with philanthropic contributions. To be a force for good in society, and by making a positive contribution in our local communities.

FareShare

Following an idea from two of our Area Managers, H&T launched a partnership with FareShare early in 2021. FareShare as a charity looks to reduce food waste and ensure that this food finds its way to those who are affected by food poverty. Historically many of our locations would support local food banks and therefore the partnership with FareShare is well supported.

How do we contribute? H&T committed to contribute £2 per month for every employee. In addition, we asked our employees if they would contribute £2 per month to FareShare through their payroll and if they did, H&T would add a further £2 per month.

What was our target? We want to raise enough money to provide over 200,000 meals via FareShare in a year.

What did we achieve? Amazingly 40% of our employees chose to donate every month and then 3 of our employees joined the London Marathon on behalf of FareShare. This enabled H&T to provide over 252,000 meals through the donations made during 2021. We also had 21 of our employees' volunteer to collect food at Tesco stores for FareShare in November.

What's next? We will continue with our partnership with FareShare during 2022. In addition to our donations, we will also look for more volunteering opportunities for our teams as well as providing the proceeds from selling some jewellery pieces to this great cause.

As well as our support for FareShare nationally, we also support Elf Day (Alzheimer's Society), Christmas Jumper Day (Save the Children) and some of our stores will support local charities.

We have also supported local communities by opening five new stores. At each of these we have been able to impact the community with employment options and access to our services.

Employee Engagement

We conducted an employee engagement survey with 66% of our employees participating. This showed a slight drop in overall satisfaction compared to a previous survey in late 2020 although there were improvements in the areas of feeling valued and the company listening to feedback and ideas and acting. The main areas for improvement were identified as communication and pay levels.

To improve communication, we provided regular multimedia updates which have been circulated across the business, our teams value these short and informative updates. In addition, we created a company level employee forum, these sessions are informal and open so that employee representatives can ask questions, furthering enhancing engagement activities

National Living Wage

In the best interest of our employees, the business made a commitment to raise our entry pay levels above the National Living Wage (NLW). We adjusted pay levels twice during the course of the year firstly, in line with legal requirements of the increased National Living Wage and secondly, to progress towards the Real Living Wage Foundation recommendation. We continue to prioritise pay levels for our lowest paid employees and recognise that further action will be required in 2022.

Recruitment and Recognition

We know that there is increasing pay pressures due to scarcity of certain roles and skillsets as we emerge from the Covid-19 pandemic. We have undertaken in-depth benchmarking exercises to understand the pay gap to market and are focused on acting in 2022 in this area.

The recruitment market remains challenging, and we continue to seek to improve our employer brand. 2021 has seen increased activity in this area and will remain a focus for 2022. H&T have experienced an average employee turnover rate of 17% during 2021 (2020: 17%).

H&T is passionate about celebrating the loyalty of our employees and 182 employees celebrated their long service awards.

48% of our employees have less than 3 years' service

17% of our employees have between 3 and up to 5 years' service

17% of our employees have between 5 and up to 10 years' service

18% of our employees have more than 10 years' service

In 2021, we updated our recognition awards and we have recognised quarterly nominations across the business.

Development

We now have 61% of our store teams who have completed 4 mandatory modules within our store development programme and are now benefitting from increased pay. Nearly 90% of our employees agree that they receive the training and development they need to do their job.

2021 has also seen a significant development in the range and volume of learning available, with company specific content in addition to more generic material, with our teams having completed 120,000 hours of learning. We continue to develop our Apprenticeship offering with five employees undertaking a range of qualifications. We continue to offer our apprenticeship scheme and encourage levels of take-up.

Health and Wellbeing

H&T continue to focus on mental health and wellbeing topics, including resilience. We have actively engaged our employees and have promoted our Employee Assistance Programme, provided more information around financial wellbeing, and launched a new Menopause policy.

H&T, under the guidance of their Health and Safety Manager and HR advisors, have continued to follow government Covid-19 advice and ensure that employees are working in a safe well managed environment. Risk assessments and communications are regularly updated.

Health and Safety accidents and incidents have reduced by 3.9% in 2021 to 73 incidents (2020: 76), with 2020 including a period when stores and support centres were closed for two months. There were no Reporting of Injuries Diseases and Dangerous Occurrences Regulation accidents in 2021 (2020: Nil).

Inclusion and Diversity

H&T are committed to creating an inclusive working environment that enables our employees to bring their true selves to work where difference is appreciated and valued, the organizational make up is diverse and our actions equitable.

We have refreshed and relaunched our Inclusion, Diversity and Equality policy during the year and will introduce mandatory diversity training modules from 2022.

We continue to focus on gender representation at the more senior levels of the organisation. With a focus on considering more balanced recruitment pools, there has been a change in the female representation at Board, Senior Management Team and within our Area Management population. Whilst acknowledging the importance of diversity, appointments in the Group are based on merit and not according to personal characteristics such as gender or race.

All vacant roles are advertised internally and we have had 16% (2020: 26%) internal promotions in 2021 and 40 (2020: 51) secondments, where employees can gain additional experience.

	Male 2021 (2020)	**Female 2021 (2020)**
Board of Directors	67% (83%)	33% (17%)
Senior Management Team (non-Board Directors and Heads of Departments	50% (55%)	50% (45%)
Area Managers	44% (55%)	56% (45%)

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

	Full Time	Part Time	Total
Male	313	37	350
Female	650	422	1,072
Total	**963**	**459**	**1,422**

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 – 29	388	27.4%
Between 30 – 39	491	34.7%
Between 40 - 49	281	19.9%
Between 50 – 59	181	12.8%
Between 60 - 69	50	3.5%
70 and over	6	0.4%

New People System

A new business system was launched in April 2021, enabling our employees to have online access to their employment details, payroll documents, performance management information and development records, as well as updating the payroll and administration system.

Governance

The board recognises the importance of ESG in relation to accountability and leadership, aiming to build ESG considerations into our long -term planning to improve corporate resilience and sustainability, steering ESG governance and best practice in line with our purpose.

H&T have undertaken a review of its internal governance following the appointment of the new CEO and a subsequent review has taken place since the appointment of the new CFO. This is to ensure that there is the correct level of oversight within the company and that this sits alongside the Board governance in an effective way.

H&T have also taken time during 2021 to review the Board composition. The first step has been the newly appointed CFO in November 2021. A board effectiveness survey was concluded early in 2022, and further actions are planned to broaden and diversify board member representations and skill set.

During 2021, H&T has fully separated the three lines model with separate dedicated Internal Audit and, Risk and Compliance functions within the business, following the appointment of a new Head of Internal Audit in 2020. The Head of Internal Audit has a reporting line into the Chair of the Audit Committee and has a remit that includes the review and oversight of all first- and second-line functions, including Compliance, Risk and Financial Crime teams.

Under the London Stock Exchange AIM rule 26 the directors have adopted the Corporate Governance Code of the Quoted Companies Alliance (QCA). The compliance statement included from page 37 of this report, sets out

our governance framework and the work we have done to ensure good governance within the Group. This compliance statement sets out how the Group has complied with the ten principles of the QCA code.
H&T continues to consider succession at all levels of the business. This is an annual process, with 6 monthly discussions about development activity and performance across our teams.

Customer data protection and other key policies are in place, with 100% of new suppliers complying with the modern slavery act. Independent sample testing of new jewellery is undertaken to ensure compliance with the Registration, Evaluation, Authorisation and Restriction of Chemicals standards.

Innovation remains a key theme through the development of new technology platforms that support the delivery of better customers services. In seeking to cultivate an environment for innovation our employees are encouraged to share their ideas for innovations across the business.

Strategic report approval

This report was approved by the Board of Directors on 7 March 2022 and signed on its behalf by:

C D Gillespie
Chief Executive
7 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 Advisors

Peter D McNamara, 71
Non-Executive Chairman

Appointed
25/04/2006

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

Profile

Peter worked at Lloyds Bank for 27 years holding a number of senior appointments including Head of Corporate Strategy, seconded to work for the Thatcher government on the design of most of the major privatisations and their operational implementation; head of senior management and graduate recruitment; the Head of the project to Develop Internet banking for Lloyds, the first bank to have more than 1m active users, and as the Managing Director of Personal Banking. He was subsequently Group MD Alliance and Leicester, then CEO of the mutual Insurance Group the Wesleyian. In 2202 he became Chairman and subsequently executive Chair of Moneybox Group, an ATM business which he floated on AIM. In 2006 he founded the NoteMachine business which became NM Money Group PLC and is the leading UK FX and ATM Group. He retired as CEO in September 2021.

Profile:

Graduated from Birmingham University 1st Class Honours Bacteriology. Fellow of London Institute of Banking and Finance, holder of their highest diploma in Financial studies. Studied corporate Strategy at IMD, Lausanne. CPD with Institute, H&T and IOD.

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

Christopher D Gillespie, 59
Chief Executive

Appointed
08/01/2021

Committees
None

Profile

Chris has considerable experience from senior leadership roles in consumer finance including Barclays, Bradford and Bingley, Albemarle and Bond, Amigo Loans, 118118Money. Prior to joining H&T Chris was managing director of consumer credit division at Provident Financial PLC. Chris is a hands on leader whose focus is on ensuring the business delivers for all stakeholders. He takes a keen interest in industry – wide matters.

External appointments
The National Pawnbrokers Association of the UK - Director

Diane Giddy, 48
Chief Financial Officer

Appointed
01/11/2021

Committees
None

Profile

Diane's career spans the investment banking and financial services industry and brings with her the experience of working within these regulated sectors. Diane was part of the South African based FirstRand Group for thirteen years of her career, where she held several senior finance positions across the Investment Banking Business both in South Africa and the United Kingdom. Most recently as the Chief Financial Officer of the London Branch for 5 years, where she enjoyed a wide remit working across multiple geographical locations and regulatory jurisdictions Diane is a member of the Institute of the Chartered Accountants in England and Wales as well as a CFA Charterholder, CFA Institute.

External appointments
Director and shareholder of Lucid Creative Works Ltd (resigned 2022)
Director and Shareholder of Cotton Bobbins (Pty) Ltd, First Rand Directorships

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 worked extensively in UK financial services since 1990. After joining

Elaine F Draper, 59
Non-Executive Director

Appointed
01/05/2018

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

Profile

Elaine spent the majority of her career with Barclays Plc as Head of Frontline services

Mark J Smith, 63
Non-Executive Director

Appointed
01/05/2018

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

Profile

Morgan Stanley, he worked successively for BAT Industries as head of finance and strategy for financial services, Group deputy finance director and UK finance director at Old Mutual Plc and head of the FX division at IFX plc. He was Finance Director at AIM Listed Global Health Partner Plc and until 2015 director at Hannam & Partners. He is an FCA and Harvard MBA.'

External appointments
KCR Residential REIT Plc - Chair

and then as Head of Vulnerability & accessibility.

She also sat on the National Executive Committee of LINK 2008-2011, and 2015-2017 was a NED of the £35m UK Government funded Credit Union expansion programme

Elaine specialises in the development and delivery of support and services for financially vulnerable consumers, providing advice & consultancy to

major financial services clients via both Capco consultancy and her own independent consultancy business.

External appointments
Bond Board Ltd - Chair

Profile: Experienced advisor and director having held senior executive and independent roles including SMF10 and SMF14, in highly regulated and blue chip financial services businesses. Mark spent the majority of his executive career leading and running large scale banking operations and multi-channel distribution as well as undertaking large scale business transformation programmes. Currently he owns and runs an advisory company providing services to major Accounting Consultancy practice clients and others where he specialises in operational excellence and change management.

Mark is a BA (hons) and an MBA (distinction). He is also a Fellow of the Chartered Institute of Bankers (England & Wales) and the Chartered Banker Institute (Scotland).

External appointments
MJS & Associates Limited.

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
Shore Capital
Cassini House
57 St James Street
London
SW1A 1LD

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

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 12-16.
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 the 'at home service', Pawnbroking anywhere, allowing customers to complete loans and gold buying from their homes for the first time. In addition, we continue to open new stores and re-develop our existing branches. An updated version of the retail website EST1897.co.uk was also launched during 2021, we have continued to evolve this website and expand our retail position including new and pre-owned jewellery, the Group's main website (handt.co.uk) is being updated, ready for re-launch during 2022. 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 continuously develop our capabilities to address a changing market and customer needs. We are focused 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 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. 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, Shore Capital, 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 12-16 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/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 2022), we also acknowledge that despite our best efforts things can go wrong, and 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, we have continued to strengthen 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 safe, highly trained, motivated and feel valued.

We strive to develop and retain our staff and 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 development programmes to help individuals progress. We endeavour to ensure our workforce are highly trained, motivated and rewarded. Training is key to delivery of a motivated and skilled workforce which is important in providing great service to our customers successfully across a large product range as well as protecting our customers and investors assets.

The Group has invested in diversity and inclusion training across the business and has ensured that staff are able to raise and discuss any inclusion or diversity issues that may impact them.

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 Health and Safety of our customers and employees is of paramount importance to the Group. This was paramount during the Covid-19 pandemic and as a business we established a regular Executive Committee meeting to review and respond to all changes in Government rules and guidance, always ensuring that we placed customer and staff safety at the centre of our decisions. 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 also understand that things can and do go wrong, when customers have cause to complain we ensure that we do everything we can to put things right for them. We complete root cause analysis in response to any customer complaints and adapt our processes and procedures in response.

Modern slavery

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

Environment, Social Responsibility and Governance (ESG)
The Group is committed to reducing its impact on the environment, reducing this through investment in video conferencing technology, encouraging staff to use public transport for business travel when possible and use of energy efficient technology in stores. During 2022 the Group has committed to complete a full Carbon audit as we start our journey to achieve our goal to become Carbon neutral. This will allow us to assess our current impact and Carbon emissions of the Groups operations, we will then document our plan to reduce to zero our Carbon footprint.

The Coronavirus pandemic has accelerated the Group's use of remote working and facilitated flexible working where possible, use of video conferencing technologies and has 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 retail product lines is by its nature sustainable, reducing the potential impact on the environment of new Jewellery production.

The Board regularly completes reviews of its operation and effectiveness, in previous years this has been conducted through the means of a robust internally facilitated review of Board and Committee effectiveness. During late 2021 the Group has engaged an external firm to conduct a board effectiveness review and lead the associated feedback session with the Board, this will also allow comparison to industry and other companies.

In the Community
We encourage community engagement and partnered with FareShare in 2021 resulting in the provision of over 250,000 meals through company an employee donations.

As a business we are committed to the High-Street and the communities that we support from our High-Street presence and continue to invest in new stores and refurbishment of our existing estate.

A list of our most relevant policies are available to review on our website https://www.handt.co.uk/esg.

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.
Our internal control environment is constructed on the three lines model, which is widely used to describe how large corporate entities manage the risks and uncertainties that they encounter. Development and adoption of a principles-based approach to corporate governance and risk management assists in achieving corporate objectives.

First Line – Operational Management
The first line's roles are those that are directly aligned with the delivery of products and services to our customers. This is the most important element of any control environment – it is the operational teams following the established policies and procedures of the business on a day-to-day basis.

Second Line – Risk & Compliance
The second line is concerned with aiding managing risk through the provision and application of expertise, support, monitoring and challenge. The second line ensure: compliance with laws, regulations, and acceptable behaviour; internal control; quality assurance.
The first and second lines work closely together, however, the responsibility for managing risk remains part of the first line roles.

Third Line – Internal Audit
Internal Audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. It reports its findings to both management and the governing body to promote and facilitate continuous improvement. Internal Audit's independence and objectivity are established through accountability to the Board; unfettered access to people, resources and data; and freedom from bias or interference.

Governing Body – The Board
The governing body ensures that the appropriate governance structures and processes are in place. The Board delegates responsibility and provides resources to management to achieve the objectives of the company whilst nurturing a culture that promotes ethical behaviour, diversity, inclusion and accountability.
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, the Senior Independent Director, two Executive Directors, two further Non-Executive Directors and the Company Secretary. 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.

During the year a reorganisation of management responsibilities was undertaken to meet the future needs and priorities of the business. Richard Withers, who joined the business in February 2018 resigned as CFO leaving the business on 31 May 2021.

Diane Giddy joined H&T Group Plc on 1 November 2021, joining the board as an executive director and chief financial officer of the Group upon completion of the requisite regulatory approvals. In the past five years she held the directorships at FirstRand Securities Limited and FirstRand UK Limited, in relation to her previous role. She continues to act as a director of Cotton Bobbins (PTY) Ltd (dormant).

The Board considers, after careful review, that the Non-Executive Directors bring sufficient independent judgement to the Group. Director's conflicts of interest are discussed at each Board meeting and steps taken to address any actual or perceived conflicts. The Group acknowledges that two of the Non-Executive Directors have now served on the board for more than nine years, and as such there is a heightened risk that their independence could be impaired. The Board has carefully considered the independence of all directors and considers that in all cases they continue to be independent of the Company. In reaching this conclusion the Board has consider the following points in relation to all Non-Executive Directors. The Board confirms that:

- no Non-Executive Directors has ever been an employee of H&T;
- has ever had a material business relationship with H&T either directly or as a partner, shareholder, Director or senior employee of a body that has such a relationship with H&T;
- has received or receive additional remuneration from H&T apart from the Director's fee; has participated in H&T's performance-related pay scheme;
- has been a member of H&T's pension scheme;
- has any close family ties with any of H&T's advisers, Directors or senior employees; or
- hold cross-directorships or have significant links with other H&T Directors through involvement in other companies or bodies.

Non-Executive Directors all confirm that they are:

- independent from Executive Directors;
- financially independent on the remuneration they receive from H&T;
- act in an independent manner, giving their objective opinion and advice on situations discussed and not seen to be led by other Non-Executive Directors;
- only spend the required time in H&T so they do not become over familiar with the day-to-day running of operational issues;
- ensure there is no conflict of interest at the time of appointment and throughout their term of office, bringing to the Board's attention whether there is a potential conflict of interest.

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.

Member attendance at Board and committee meetings:

	Board	Audit	Remuneration	Risk	Nomination
Peter McNamara	8(8)	3(3)	5(5)	3(3)	2(2)
James Thornton	8(8)	3(3)	5(5)	3(3)	2(2)
Mark J Smith	8(8)	3(3)	5(5)	3(3)	2(2)
Elaine Draper	8(8)	3(3)	5(5)	3(3)	2(2)
Chris Gillespie	8(8)	N/A	N/A	N/A	N/A
Richard Withers	2(2)	N/A	N/A	N/A	N/A
Diane Giddy	1(1)	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, to reviewing materials for Board and Committee meetings prior to attendance, the NEDs are required to commit such time to the Group's 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 34. 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 Group's 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 have direct access to the advice and services of the Company Secretary.

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 previous years 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 that it should now complete an external review process in 2022, 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. 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. During 2022 we are implementing policy and training updates to ensure we comply with the new FCA Consumer Duty rules.

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 (prevailing Covid-19 restrictions permitting) promoting the culture and values we all stand for. Our loss prevention 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 full senior management team. A further combined board and executive strategy meeting is also conducted. Board meetings are regularly held at our Sutton Head Office allowing Executive and Non-Executive Directors to meet and discuss issues with all levels of staff. NED's visit stores and departments throughout the year and will attend long-service award events. 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 50. 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, full details of the assessment of Directors' independence is included on page 42. The Chairman, who is a regulated person, leads the Board and is principally responsible for considering regulatory and strategic matters on behalf of the shareholders in support of the CEO.

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 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.

A new executive governance structure was launched at the start of 2022 to support the CEO to deliver the strategic goals and objectives of the Group; this structure will be reviewed as the Group delivers on its growth plans during 2022. The first stage of this review will be completion of an external Board Effectiveness review that began in early 2022.

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 55. The Board meets formally 8 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 and update of operations, a CEO report, 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:

- To determine and agree with the Board the framework or broad policy for the remuneration of the Chairman, Chief Executive, all other executive directors, and such other members of the executive management as it is designated to consider.
- 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 recognized
- In determining individual packages and arrangements, give due regard to the comments and recommendations of the QCA 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 levels and structure of remuneration for senior managers below Board level as determined and
- Agree the policy for authorizing claims for expenses from the Chief Executive and the Chairman of the Board.

The Committee is authorised by the Board to:

- seek any information it requires from any employees or officers 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

During 2021, the Remuneration Committee reviewed and approved as part of the standard agenda schedule, the outcome of the 2020 Bonus Scheme and setting of 2021 Bonus Scheme financial and non-financial targets, the Performance Share Plan for 2021, the Gender Pay Report, the Terms of Reference, and the 2022 Salary Review proposals.

In addition, a review of the Remuneration Committee effectiveness was undertaken internally, and it was agreed to reduce the number of meetings as a number of legacy topics had been closed.

The Committee had considered the following priorities for 2021:

- Improving the entry pay level for H&T employees ahead of the National Living Wage

- Re-aligning the store pay structure to provide motivation, retention and acknowledge completion of training modules

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 prudence, accuracy and consistency of the financial results, as they affect the key judgements made and the effectiveness and robustness of the financial control system. It reviews the scope, of the outcomes from and the performance and cost-effectiveness of internal and external audit, 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. Internal audits are undertaken covering all aspects of the Group's key risks and financial controls. The internal audit team report directly to the Audit Committee. The Committee reviews the operation of internal controls and reports to the Board on the annual review of the internal control and risk management.

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 Internal Audit reports separately to and meets regularly with the Chair of Audit Committee, who reviews all corporate audit reports as they arise.

Please see audit committee report on page 45 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 Risk & 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
The Group communicates to its shareholders and other relevant stakeholders through a combination of dialogue, the publication of the Annual Report and Financial Statements, supported by additional information available on it's website. The Audit Committee is a principal committee within the Group's governance framework and provides the role of monitoring the integrity of the Group's financial results as outlined below.

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, outcomes from 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 Audit functions. The Audit Committee review the regular reports of the Head of Internal Audit and the findings and agreed management actions contained within Internal Audit's reports. The Terms of Reference have been updated in 2021 to include formal responsibilities relating to ESG data information controls and processes and output review.
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 2021 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 page 57-64.

Issue	Judgement	Role of the Committee
Revenue recognition and accrual on pawnbroking lending Interest income is recognised when it is due or paid by the customer. Accrued interest is determined by estimating future expected interest on the pawnbroking book, applying estimates for future expected redemption rates and profiles. The redemption rate and profiles are based on historical data collected.	Key area of judgment is the redemption rate and profile applied in the impairment model and subsequent revenue recognition. This has been identified as key audit risk by our independent Auditors	Review the application of the agreed methodology and supporting calculations Consider the impact and validity of any changes to the basis of the redemption predictions Consider the impact of changing redemption trends and outcomes over time and how to implement them in the model
Impairment of Goodwill The Group historically acquired a number of businesses and must consider whether goodwill requires impairment. The impairment is based on the future cash flow generated by each of the individual cash generating units (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 the future years.	The key judgement relates to the forecast of cash flows for the CGU.	Review the application of the agreed methodology and supporting calculations. Consider factors that may impact the future performance of the CGU's and whether that should be reflected in the forecast. Consider the sensitivity of the projections and the amount of headroom available before impairment is required.
Provision relating to the right of use assets The Group operates the store estate on a leasehold basis. Impairments are potentially	The key judgment relates to the forecast of future cash flows for the CGU.	Review of the application of the agreed methodology and supporting calculations. Consider factors that may impact the future performance of the CGU's and whether that should be

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.		reflected in the forecast of future cash flows. Consider the sensitivity of the projections and the amount of headroom available before an impairment is required.
Impairments of pawnbroking loans and inventory 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) is below cost.	The key judgement relates to the inventory provision is the calculation of the of the 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 judgment in respect of the pledge balance are the NRV; the likelihood of the item not being redeemed and if forfeited whether it 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. Impairment of pledge book is identified as a key audit risk by our independent Auditors.	Review the application of the agreed methodology and supporting calculation. Consider the overall adequacy of the provisions based on historical performance and changes in asset balances. Considers the changes in the business or external environment which may impact on the recoverability, particularly of the gold price and redemption trends.
Impairment of personal loans Personal loans 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 customers arrears.	Key judgement relates to the point at which to impair a loan and whether historical performance provides a suitable method to project future cash flow. This is identified as a key audit risk by our independent Auditors.	Review 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 results of the prior period. Consideration of the potential impact on future performance factors of a range of external economic factors, changing business mix for product type and channel. Reviewed the analysis in respect of the application of the IFRS 9 model

S166 – Redress Provision The Group has reached agreement with the FCA to proceed with the redress programme for customers identified through the review of its credit worthiness assessments and lending processes for its HCST loans	The key judgment relates to the application of the agreed methodology in quantifying the provisions raised for the redress amount due to identified customers. This has been identified as key audit risk by our independent Auditors	Review of the application of the agreed methodology, supporting calculations and provision raised.

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 model. The first line's roles are those that are directly aligned with the delivery of products and services to our customers. This is the most important element of any control environment – it is the operational teams following the established policies and procedures of the business on a day-to-day basis. The second line is Risk & Compliance, which is concerned with aiding with managing risk through the provision and application of expertise, support, monitoring and challenge. The second line ensure: compliance with laws, regulations, and acceptable behaviour; internal control; quality assurance. Third Line is Internal Audit which provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. It reports its findings to both management and the governing body to promote and facilitate continuous improvement. Internal Audit's independence and objectivity are established through accountability to the Board; unfettered access to people, resources and data; and freedom from bias or interference.

Internal control: financial

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

Financial reporting: there is a comprehensive budgeting process 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.

Capital expenditure: there is a comprehensive budgeting process 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 loss prevention review: the loss prevention team ensure that Group procedures regarding cash, pledges and stock-handling are being adhered to. On average loss prevention visits to stores are performed biannually.

Internal 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 audit universe and plan is approved by the Audit Committee.

DIRECTORS REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Principal activities and review of the business
The main activities of the Group continue to be pawnbroking, gold purchasing, retail of new and pre-owned jewellery and watches, 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 4-16.

Dividends
The Directors propose a final dividend of 8p (2020: 6.0p) per share subject to approval at the Annual General Meeting on 12th May 2022. 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 35.

During the year, the Company paid an interim dividend for the year ended 31 December 2021 of 4p per share (2020: 2.5p 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 Nil ordinary shares (2020: 127,601) 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 2021 was £1,993,204 (31 December 2020: £1,993,204).

As at 4 February 2022, 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	12.0
Close Brothers Asset Management	9.9
Fidelity International	9.8
Fidelity Management & Research	6.6
Camelot Capital Partners	6.6
Octopus Investments	6.5
Stichting Value Partners	4.6
Hargreaves Lansdown, stockbrokers (EO)	4.2
Interactive Investor (EO)	3.4

Details of employee share schemes are set out in note 28. Under these share schemes, there are currently potentially an additional 143,298 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 3,986,408 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 2021 or 31 December 2020.

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)
R J Withers (appointed 14 January 2020, resigned 30 April 2021) FF
D E Giddy (appointed 24 November 2021)

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 2021	At 31 December 2021
C D Gillespie	Ordinary 5p shares	60,000	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

There have been no other changes in the interests of the current directors between 31 December 2021 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 2021, the market price of H & T Group plc's shares was 295.00p and the range during the year ended 31 December 2021 was 237.6p to 320.5p.

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.

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

At the forthcoming annual general meeting of the Company, the following Directors, by rotation will be offering themselves for re-elections:

- D E Giddy

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 them 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:

	2021 £	2020 £
Emoluments	1,166,268	965,028
Gain on exercise of share options	-	51,972
Money purchase pension contributions	11,333	48,612
	1,177,601	1,065,612

Directors' emoluments and compensation

Name of Director	Fees/Basic salary £	Benefits in kind £	Annual bonuses £	2021 Total £	2020 Total £
Executive					
C D Gillespie (note 3)	341,000	11,697	200,000	552,697	51,667
R Withers (note 1 & 5)	331,950	4,591	-	336,541	216,150
D Giddy (note 3 & 5)	37,500	1,776	23,625	62,901	-
J G Nichols (note 1 & 2)	-	-	-	-	408,503
L M Pugh (note 4)	-	-	-	-	86,055
Non-Executive					
P D McNamara (note 1)	78,694	-	-	78,694	72,136
J F Thornton (note 1)	46,877	-	-	46,877	49,339
E Draper (note 1)	44,279	-	-	44,279	40,589
M J Smith (note 1)	44,279	-	-	44,279	40,589
Aggregate emoluments	924,579	18,064	-	1,166,268	965,028

Notes:

1) During the period of store closures in 2020, the Directors voluntarily gave up part of their salary. This has not been reinstated.
2) Included in the 2020 comparatives is £114,000 bonus for JG Nichols that 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 are still pending.

3) The bonus opportunity in 2021 was based on the achievement of a combination of key financial performance objectives and shared personal objectives. The Remuneration Committee reviewed both the financial performance element (up to 70%) and the personal objectives element (up to 30%) to determine the overall award for the 2021 senior executive bonus plan. After considering the excellent business performance in regrowing the pawnbroking book in the second half of 2021 with the offsetting impact on profitability of IFRS 9 accounting in respect of this growth in the last quarter of the year, and the strong retail performance achieved despite start of year government imposed Covid trading restrictions, the Committee determined that full access to the shared personal objectives element of the bonus had been substantively achieved. Taking both elements of the bonus plan together an overall award of 60% of the potential opportunity was made.
4) 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.
5) D Giddy joined H&T on the 1 November 2021 She succeeded R Withers as Chief Financial Officer subject to regulatory approvals that were affirmed on 23rd December 2022 and became a Director of H&T Group PLC on 24th November 2021. Diane's annual bonus has been proportionally allocated for months of service.
6) R Withers left H&T Group Plc on 31 May 2021. Amounts paid in 2021 relate to his pay during the year and 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 2019, 2020 and 2021 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 and 2019 scheme was not achieved and no shares will be granted under these schemes.

Directors' pension entitlements

Two Directors (2020: 2) were members of money purchase schemes during the year. Contributions paid by the Group in respect of such Directors were as follows:

	2021 £	2020 £
J G Nichols	-	28,057
R Withers	7,583	20,555
D Giddy	3,750	-
	11,333	48,612

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 Equality, Diversity and Inclusion 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. The Executive Directors, together with key members of the management team, 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, monthly information bulletins, employee surveys, four times per year through employee nominated forums.

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 (2020: £nil).

Going concern

The Group has prepared the financial statements on a going concern basis, with due consideration to the ongoing unprecedented impact of Covid-19 on the economy and society. The Board has considered the uncertain future impact of Covid-19 on the business and conducted a going concern review to ensure this basis remains appropriate.
The Group delivered profit before tax of £7.9m for the year ended 31 December 2021 (2020: £15.6m). The Group also increased its net assets to £136.6m (2020: £134.5m).

The Group has significant cash resources at 31 December 2021 of £17.6m and access to an unutilised revolving credit facility with Lloyds Bank plc which allows for maximum borrowings of £35.0m, subject to covenants. 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 2022 and into H1 2023 at least. The Group met all covenants in 2021 and there is no evidence to suggest that they will not be met in 2022 or Q1 2023.

The Group's activities include services deemed essential by the government and therefore the Group's stores have been able to open during recent government mandated lockdowns introduced as a result of the Covid-19 pandemic. 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 2022. 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-19 is an unprecedented event that continues to have for an unknown period profound impacts on economic and social behaviour and wider reaching impacts on supply chain delivery and service delivery through reduction in staff due to Covid-19 isolations requirements.

The Group's offering is principally through offering 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, watches 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 2022 and Q1 2023 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 themselves 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

07 March 2021

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

DIRECTORS RESPONSIBILITY 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 7 March 2022 and is signed on its behalf by:

Chief Executive Officer
C D Gillespie
7 March 2022

H & T Group plc
Independent Auditors 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 2021 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 significant accounting policies. The financial reporting framework that has been applied in their preparation of the Group financial standards is applicable law and UK-adopted international accounting standards. 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 2021 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.

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 –1% of loan book value	**£690,000** (2020: £775,000)	In determining our materiality benchmark, we considered the 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. The pledge book and personal loan book values are the most significant balances on the balance sheet and drive the business. The loan book grew significantly during the year as stores were re-opened when Covid-19 restrictions were eased. We consider the loan book to represent a more appropriate benchmark on which to base the materiality calculation aswe expect the loans to drive the profits and generate interest revenue. In the prior year, we used profit before tax as the benchmark to calculate materiality. It was appropriate in the prior year as the users of the financial statements were interested in the Group's profitability in the face of Covid-19restrictions.
Parent Company financial statements – 3% of net assets, which is capped at 99% of Group materiality	**£619,000** (2020: £767,000)	The Parent Company acts principally as a holding company. On this basis, wehave determined net assets to be the key reporting measure. There is no change on the basis compared to the prior year.

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 £414,000 (2020: £465,000) and £371,400 (2020: £460,000) for the Group and parent company, respectively, being 60% of materiality for the financial statements as a whole. The benchmark of 60% has been selected to provide sufficient coverage of significant and residual risks to many of the balances within the financial statements representing risk areas and those that require management judgements and estimates including measurement of expected credit losses, valuation of the pledge interest accrual, impairment of goodwill and other intangible assets, impairment of right of use assets, calculation of stock provisions, the choice of the incremental borrowing rate in the lease liability calculation under IFRS 16, calculation of provision for customer redress, recoverability of deferred tax asset

Therefore, we concluded this provided sufficient coverage of significant and residual risks. We applied the concept of materiality both in planning and performing our audit, and in evaluating the impact of misstatements.

Materiality is reassessed throughout the audit, no changes were made as a result of those reassessments. We have agreed with the audit committee that we would report to the committee all individual audit differences in excess of £34,500 and £30,950 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 our scope addressed this matter
Valuation of the pledge interest accrual (Note 20)	
The pledge interest accrual amounted to £15.9 million at 31 December 2021. Interest receivable on pawnbroking loans is recognised with referenced by reference to the percentage of pawnbroking loans that are expected to be redeemed and an internal rate of return based on an average interest rate. The pawnbroking loans interest accrual is dependent onmanagement's estimate of the expected level of loan redemptions. Given the size of the account balance and the management estimation involved, the pledge interest accrual is considered to be a key audit matter.	Our work in this area included: ▪ Review of the historical redemption data used as basis in the interest accrual; ▪ Testing the accuracy and completeness of the historical redemption data. This was performed in collaboration with PKF IT Assurance team; ▪ Analysis of historical and forward-looking information to assess the appropriateness of the redemption rates; ▪ Ensuring that the interest income recognition frompawnbroking loans is in line with IFRS 9; ▪ Challenging management on their assessment of macroeconomic overlays by investigating whethercorrelations exist between historical redemption rates and macroeconomic factors

	such as unemployment and inflation rates; - An assessment of management's historical forecasting accuracy by performing a retrospective review of the prior year redemptions; and Performing sensitivity analysis on the impairment calculations.
Valuation of the pledge and personal loan impairments(Note 20) IFRS 9 requires management to consider and record expected credit losses (ECL) on debt financial instruments based on probability-weighted outcomes, the time value of money and the best available forward-looking information. The management also needs to assess whether there has been a significant increase in credit risk from the initial recognition of the loans.	Our work in this area included: - Testing the accuracy and completeness of the personal loan data used in the ECL calculation particularly in determining probability of default, repayment and loss given default rates; - Review management's assessment of the impact of forward-looking information to the ECL provisionand ensuring it is in line with IFRS 9; Performing a retrospective review of the prior yearprovision and subsequent write offs;
Pledge book impairment The pledge book impairment balance amounted to £10.576million. A financial model is used to determine the impairment balance. This model involves determining a recoverable amount from pledge book. The recoverable amount is the net present value of future redemptions and realisations from forfeited loans. A future redemption rate has been determined using a redemption profile from February 2020 and average redemption rates from January 2018 to July 2019. The impairment 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 a net present value. A similar model is used to calculate the present value of forfeitures. The redemption rate is a key estimate within the model for determining the pledge book impairment balances and its determination involves management judgment. Given the size of the balance and estimation involved we consider thepledge loans impairment to be a key audit matter. **Personal loans impairment** The personal loans principal balance amounts to £58.555 million and the impairment balance amounts to £55.504 million. The financial model used to calculate impairments on personal loans uses an impairment factor (default	Our work in this area included: - A review and test of the reasonableness of the management's definition of default and significant increase in credit risk from initial recognition of personal loans. Substantively testing a sample of loans with no significant increase in credit risksince initial recognition, as determined by management, to identify whether there were loansthat a represent an increase in significant credit riskwhich had not been identified by management. This enabled us to determine whether probability of default rates had been correctly applied in the expected credit loss calculation; - Review and challenge of management's expectedcredit loss paper for personal loans; - Document the methodology for calculating the impairment for pledge loans and consider whetherit is in line with IFRS 9; - Review of the impact of FCA forbearance measures on credit risk assessments feeding intothe expected credit loss calculation; - Testing of completeness of data feeding into thepledge impairment model; - Testing of completeness of data flowing to thecalculations from the data warehouse; - Testing the completeness of data feeding into thecredit loss model; - Analytical review; and Review of disclosures in the financial statements.

rates) which is multiplied to the outstanding balance of accounts todetermine the amount of impairment loss provision. The portfolio is segmented by business type (online or store), customer type (new or existing/top-up) and the remaining term of the agreement. The impairment factors are based onactual performance of December 2017 loans as at December 2018 with extrapolation of cash flows to 36 months, where applicable. An annual impairment adequacy test is performed to determine whether historic repayment rates remain an accurate basis to determine the impairment balance and charge for the year. Due the size of the balance and the use of a financial modelthat uses historic data, we consider the personal loans impairment to be a key audit matter.	
S166 – Redress Provision/ (Note 25)	
The Group is in the process completing its work with the appointed Skilled Person under Section 166 of Financial Services and Markets Act 2000 and the FCA in respect of the review into its affordability assessments and lending processes for its unsecured high-cost short term creditloans. Redress is payable to borrowers who have been provided with loans that are not considered to be affordable under therevised methodology. The potential amount of the address is material. **The redress has been accounted for as a provision.** In determining this accounting treatment, judgement has been applied by management. Given that the amount involved is material and that management judgement has been applied in determining the accounting treatment, we consider this to be a key auditmatter.	Our work in this area included: ▪ Obtaining and reviewing communications betweenFCA and the Group in relation to the redress; ▪ Reviewing the updated affordability methodology prepared under the guidance of the Skilled Person. ▪ Reviewing results of the outcomes testing performed by the Skilled Person. ▪ Discussions with the Skilled Person regarding the S166 redress methodology, and outcomes; ▪ Reviewing management's judgement on whether the re-dress is a provision and ensuring that their judgement isline with IAS 37; ▪ Obtaining the redress population data sets and testing accuracy and completeness of data and recalculating output and comparing to Group's output and also checking that all items within the population 1 April 2014 and 25 October 2019 havebeen included; and ▪ Recalculating, on a sample basis, the redress dueand the 8% interest on the redress amount and the related tax consequences. Customer loans where new disposable income criteria was directed by FCA were also considered as part of the recalculations.

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 stores 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 G roup 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. This is evidenced by discussion of laws and regulations with the management, reviewing minutes of meetings of those charged with governance, internal audit reports and RNSs and review of legal or professional expenditures.

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 rules, LSE AIM 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;
- Reviewing minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HM Revenue and Customs, the Financial Conduct Authority and RNS announcements;
- Review of legal and professional fees to understand the nature of the costs and the existence of any non- compliance with laws and regulations;
- Reviewing the compliance reports and customer complaints log to understand the nature of any compliance matters and the existence of any non-compliance with laws and regulations;
- 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 provision 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

Group Statement of Comprehensive Income
For the year ended 31 December 2021

Continuing operations:	Note	2021 £'000	2020 £'000
Revenue	5,6	121,995	129,115
Cost of sales		(45,640)	(46,316)
Gross profit	6	76,355,	82,799
Other direct expenses		(46,251)	(50,188)
Administrative expenses		(18,904)	(15,727)
Recurring operating profit		11,200	16,884
Non-recurring expenses	34	(2,099)	-
Operating profit		9,101	16,884
Investment revenues	5,10	8	5
Finance costs	11	(1,247)	(1,257)
Profit before taxation	7	7,862	15,632
Tax charge on profit	12	(1,818)	(3,070)
Profit for the financial year and total comprehensive income		6,044	12,562

Earnings per share from continuing operations		2021 Pence	2020 Pence
Basic	13	15.43	32.11
Diluted	13	15.43	32.11

All profit for the year is attributable to equity shareholders.

Group Statement of Changes in Equity
For the year ended 31 December 2021

	Note	Share capital £'000	Share premium account £'000	Employee Benefit Trust shares reserve £'000	Retained earnings £'000	Total £'000
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 paid	14	-	-	-	(996)	(996)
At 31 December 2020		1,993	33,486	(35)	99,105	134,549
At 1 January 2021		1,993	33,486	(35)	99,105	134,549
Profit for the year		-	-	-	6,044	6,044
Total comprehensive income		-	-	-	6,044	6,044
Issue of share capital	27	-	-	-	-	-
Share option movement	28	-	-	-	11	11
Dividends	14	-	-	-	(3,986)	(3,986)
At 31 December 2021		1,993	33,486	(35)	101,174	136,618

Group Balance Sheet
As at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Non-current assets			
Goodwill	15	19,330	19,330
Other intangible assets	16	1,892	2,729
Property, plant and equipment	17	11,101	8,635
Right-of-use assets	17	17,400	18,337
Deferred tax assets	24	1,726	2,822
		51,449	51,853
Current assets			
Inventories	19	28,421	27,564
Trade and other receivables	20	72,449	55,751
Other current assets	20	-	1
Cash and bank balances	21	17,638	34,453
		118,508	117,769
Total assets		169,957	169,622
Current liabilities			
Trade and other payables	22	(10,154)	(10,807)
Lease liabilities	22	(3,191)	(3,568)
Current tax liability	22	(375)	(1,972)
		(13,720)	(16,347)
Net current assets		104,788	101,422
Non-current liabilities			
Lease liabilities	22	(15,792)	(17,077)
Long term provisions	25	(3,827)	(1,649)
		(19,619)	(18,726)
Total liabilities		(33,339)	(35,073)
Net assets		136,618	134,549
Equity			
Share capital	27	1,993	1,993
Share premium account		33,486	33,486
Employee Benefit Trust shares reserve		(35)	(35)
Retained earnings		101,174	99,105
Total equity attributable to equity holders		136,618	134,549

The Group balance sheet should be read in conjunction with the accompanying notes.

The financial statements of H&T Group Plc, registered number 05188117, on pages 65 to 120 were approved by the Board of Directors and authorised for issue on 7 March 2022.

They were signed on its behalf by:

C D Gillespie

Chief Executive

Group Cash Flow Statement
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash (utilised)/generated from operating activities	29	(3,035)	55,350
Investing activities			
Interest received		8	5
Purchases of intangible assets		(158)	(233)
Purchases of property, plant and equipment		(5,231)	(3,005)
Acquisition of trade and assets of businesses	30	-	(50)
Acquisition of Right-of-use assets		(4,081)	(2,934)
Net cash used in investing activities		(9,462)	(6,217)
Financing activities			
Dividends paid	14	(3,986)	(996)
Reduction in borrowings		-	(26,000)
Debt restructuring costs		(332)	-
Proceeds on issue of shares		-	313
Net cash used in financing activities		(4,318)	(26,683)
Net (used in)/increase in cash and cash equivalents		(16,815)	22,450
Cash and cash equivalents at beginning of the year		34,453	12,003
Cash and cash equivalents at end of the year		17,638	34,453

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 36.

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 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 16: Leases – Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

New and revised IFRSs in issue but not yet effective

Amendments to IAS 1, Classification of Liabilities as Current or Non-Current (effective date not yet confirmed)

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies (effective date not yet confirmed)

Amendments to IAS 8, Definition of Accounting Estimates (effective date not yet confirmed)

Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework (effective date not yet confirmed)

Amendments to IAS 16: Property, Plant and Equipment (effective date not yet confirmed)

Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets (effective date not yet confirmed)

Annual Improvements to IFRS Standards 2018-2020 Cycle (effective date not yet confirmed)

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 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 assets 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 Group's 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 8.2% (2020: 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) reversal of impairment charge of £0.2m (2020: 0.5m) 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 2021 and 2020.

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. 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 2021 returns were 7% (2020: 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 ceased this operation during 2020.
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:

	2021 £'000	2020 £'000
Operating profit	9,101	16,884
(i) Depreciation of the right-of-use assets	5,071	5,122
(ii) Depreciation and amortisation-other	3,660	3,633
(iii) Impairment of the right-of-use-assets	(179)	531
EBITDA	17,653	26,170

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. 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 2021 is £751,000 (2020: £745,000).

Employee share incentive plans

The Group issues equity-settled share-based payments to certain employees (including Directors). These payments are measured by reference to the probability of the vesting conditions attached to each scheme being met. 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.

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 Company'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 2021, the pawnbroking loss allowance is £7,472,000 (2020: £4,763,000).

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. The timing of the 2020 redemptions were impacted because of the Covid lockdown and temporary store closures, however there were no significant differences in respect of redemption rates for 2020. For 2021 the redemption rates have remained stable and above historical redemption data assumptions. 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 2021, the personal loan impairment provision reversal was £1,460,000 (2020: charge to P&L £1,675,000).
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 8.2% (2020: 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

A methodology for conducting the required past book review of the Group's unsecured HCSTC lending has been developed in close collaboration with the skilled person. This methodology has been subject to "outcomes testing" by the skilled person and review by the FCA. The FCA has confirmed the Group can now proceed to implementation of the past book review and consequent customer redress arrangements. A provision of £2.1m has been raised to cover the costs of this redress.

5. Revenue

An analysis of the Group's revenue is as follows:	2021 £'000	2020 £'000
Sales of goods		
Gold purchasing, retail, pawnbroking scrap	67,680	70,584
Interest / commission earned		
Pawnbroking, cheque cashing and other financial services	54,315	58,531
Revenue	121,995	129,115
Investment revenues	8	5
Total Group revenue	122,003	129,120

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:

Pawnbroking:

Pawnbroking is a loan secured against a collateral (the pledge). In the case of the Group, over 99.2% (2020: 99.8%) 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, jewellery and watches 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.

6. Operating segments (continued)

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 2020.
- 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)

Segment information about these businesses is presented below:

2021 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans £'000	Other services £'000	Other income £'000	Total £'000
External revenue	44,742	20,445	36,227	11,008	2,857	5,445	1,271	121,995
Total revenue	44,742	20,445	36,227	11,008	2,857	5,445	1,271	121,995
Gross profit	44,742	3,382	16,640	2,018	2,857	5,445	1,271	76,355
Impairment	(7,472)	-	-	-	1,460	-	-	(6,012)
Segment result	37,270	3,382	16,640	2,018	4,317	5,445	1,271	70,343
Other direct expenses excluding impairment								(40,239)
Administrative expenses								(18,904)
Recurring operating profit								11,200
Non-recurring expenses								(2,099)
Operating profit								9,101
Interest receivable								8
Financing costs								(1,247)
Profit before taxation								7,862
Tax charge on profit								(1,818)
Profit for the financial year and total comprehensive income								6,044

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

Parent company balance sheet
As at 31 December 2021

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.

2021	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 (*)							9,409	9,409
Depreciation, amortisation and impairment (*)							8,731	8,731
Balance sheet								
Assets								
Segment assets	66,862	262	28,030	129	3,051	-		98,334
Unallocated corporate assets							53,483	53,483
Consolidated total assets								169,957
Liabilities								
Segment liabilities	-	-	(878)	-	-	(220)		(1,098)
Unallocated corporate liabilities							(32,241)	(32,241)
Consolidated total liabilities								(33,339)

6 Operating segments (continued)

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)

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:

	2021 £'000	2020 £'000
United Kingdom	120,278	127,487
Other	1,717	1,628
	121,995	129,115

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 £29,218,000 (2020: £38,998,000), which makes more than 10% of the total revenue. This customer is the 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):	**2021 £'000**	**2020 £'000**
Depreciation of property, plant and equipment reported within:		
- Other direct expenses	2,309	1,956
- Administrative expenses	357	248
Depreciation of right of use assets	5,071	5,122
Impairment of right of use assets	(179)	531
Amortisation of intangible assets (reported within other direct expenses)	995	1,428
(Loss)/profit on disposal of property, plant and equipment	(11)	3
Cost of inventories recognised as expense	46,261	45,200
Write (ups)/downs of inventories recognised as an (income)/expense	(621)	1,116
Staff costs (see note 9)	35,738	34,986
Impairment loss recognised on pawnbroking financial assets	7,472	4,763
Impairment (release)/ loss recognised on personal loans financial assets	(1,460)	1,675

8. Auditor's remuneration

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

	2021 £'000	2020 **£'000**
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	20	19
Fees payable to the Company's auditor for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	176	171
Total audit fees	196	190

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

There were no other fees paid to the Company's auditors and its associates other than disclosed above.

9. Information regarding Directors and employees

Non-executive Directors' emoluments

The 4 (2020: 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	2021 £'000	2020 £'000
Aggregate emoluments	1,166	913
Gain on exercise of share options	-	52
Company pension contributions to money purchase schemes	11	49
	1,177	1,014

Two executive Directors during the year (2020: all) participated in Harvey & Thompson Limited's money purchase pension scheme. None (2020: one) of the Directors exercised options over shares in the Company in the year. None (2020: None) of the Directors were granted shares under the long-term incentive scheme.

Highest paid Director	2021 £'000	2020 £'000
Aggregate emoluments	553	408
Gain on exercise of share options	-	52
Company pension contributions to money purchase scheme	-	28

In addition, £82,000 (2020: £38,000) 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.

Monthly average number of persons employed (including Directors)	2021 No.	2020 No.
Branches	1,234	1,270
Administration	184	182
	1,418	1,452

Staff costs during the year (including Directors)	2021 £'000	2020 £'000
Wages and salaries	31,940	31,589
Share options expense	55	(35)
Social security costs	2,993	2,687
Other pension costs	750	745
	35,738	34,986

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 two are females (2020: one).

10. Investment revenues

	2021 £'000	2020 £'000
Interest revenue:		
Bank deposits	8	5

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

	2021 £'000	2020 £'000
Loans and receivables (including cash and bank balances)	8	5

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

11. Financing costs

	2021 £'000	2020 £'000
Interest on bank loans	102	404
Other interest	1	1
Interest expense on the lease liability	950	735
Amortisation of debt issue costs	194	117
Total interest expense	1,247	1,257

12. Tax charge on profit

(a) Tax on profit on ordinary activities

	2021 £'000	2020 £'000
Current tax		
United Kingdom corporation tax charge at 19% (2020: 19%) based on the profit for the year	1,738	3,628
Adjustments in respect of prior years	(973)	(14)
Total current tax	765	3,614
Deferred tax		
Timing differences, origination and reversal	453	(358)
Adjustments in respect of prior years	1,240	(6)
Effect of change in Tax rate	(640)	(180)
Total deferred tax (note 24)	1,053	(544)
Tax charge on profit	1,818	3,070

(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% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	7,862	15,632
Tax charge on profit at standard rate	1,494	2,970
Effects of:		
Disallowed expenses and non-taxable income	547	236
Non-qualifying depreciation	39	840
Effect of change in tax rate	(640)	(180)
Movement in short-term timing differences	112	(776)
Adjustments to tax charge in respect of prior years	266	(20)
Tax charge on profit	1,818	3,070

In addition to the amount charged to the income statement and in accordance with IAS 12, the excess of current and deferred tax over and above the relative related cumulative remuneration expense under IFRS 2 has been recognised directly in equity. The amount taken to equity in the current period was £41,000 (2020: release from equity £98,000).

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 2021			Year ended 31 December 2020		
	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	6,044	39,162,612	15.43	12,562	39,124,959	32.11
Effect of dilutive securities						
Options and conditional shares	-	-	-	-	1,278	(0.00)
Earnings per share: diluted	6,044	39,162,612	15.43	12,562	39,126,237	32.11

14. Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2020 of 6.0 pence (2019: 0.0p) per share	2,392	-
Interim dividend for the year ended 31 December 2021 of 4.0 pence (2020: 2.5p) per share	1,594	996
	3,986	996
Amounts proposed and not recognised:		
Proposed final dividend for the year ended 31 December 2021 of 8.0p (2020: 6.0p) per share.	3,189	2,392

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and accordingly, has not been included as a liability in these financial statements.

15. Goodwill

	Goodwill arising on purchase of subsidiaries £'000	Goodwill arising on trade and asset purchases £'000	Total Goodwill £'000
Cost and carrying amount			
At 1 January **2020** and 1 January 2021	14,133	5,197	19,330
Additions	-	-	-
Prior year adjustments	-	-	-
At 31 December 2021	14,133	5,197	19,330

There are no recognised impairment losses at 31 December 2021.

Goodwill acquired in business combinations is allocated as follows:	2021 £'000	2020 £'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	1,687
	19,330	19,330

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 2020	995	6,551	7,546
Additions	233	35	268
Disposals	-	-	-
At 1 January 2021	1,228	6,586	7,814
Additions	158	-	158
Disposals	-	-	-
At 31 December 2021	1,386	6,586	7,972
Amortisation			
At 1 January 2020	758	2,899	3,657
Charge for the year	225	1,203	1,428
Disposals	-	-	-
At 1 January 2021	983	4,102	5,085
Charge for the year	176	819	995
Disposals	-	-	-
At 31 December 2021	1,159	4,921	6,080
Carrying amount			
At 31 December 2021	227	1,665	1,892
At 31 December 2020	245	2,484	2,729

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.

Parent company balance sheet
As at 31 December 2021

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 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 1 January 2021	29,651	424	81	2,669	5,645	38,470
Additions	3,953	349	18	320	530	5,170
Disposals	(547)	-	(11)	-	(26)	(584)
At 31 December 2021	33,057	773	88	2,989	6,149	43,056
Accumulated depreciation and impairment						
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 1 January 2021	23,797	242	44	1,373	4,379	29,835
Charge for the year	1,695	150	18	454	349	2,666
Disposals	(515)	-	(8)	-	(23)	(546)
At 31 December 2021	24,977	392	54	1,827	4,705	31,955
Carrying amount						
At 31 December 2021	8,080	381	34	1,162	1,444	11,101
At 31 December 2020	5,854	182	37	1,296	1,266	8,635

Parent company balance sheet
As at 31 December 2021

17. Property, plant and equipment (continued)

Right-of-use assets

	£'000
Cost or valuation	
At 1 January 2020	54,288
Additions	2,934
Disposals	(5,901)
At 1 January 2021	51,321
Additions	4,082
Disposals	(4,411)
At 31 December 2021	50,992
Accumulated depreciation and impairment	
At 1 January 2020	33,141
Charge for the year	5,122
Disposals	(5,810)
Impairment	531
At 1 January 2021	32,984
Charge for the year	5,071
Disposals	(4,284)
Impairment	(179)
At 31 December 2020	33,592
Carrying amount	
At 31 December 2021	17,400
At 31 December 2020	18,337

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.

Parent company balance sheet
As at 31 December 2021

19. Inventories

	2021 £'000	2020 £'000
Retail and scrap inventory	28,421	27,564

Of the retail and scrap inventory, 99.2% (2020: 99.2%) 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

	2021 £'000	2020 £'000
Trade receivables	70,038	54,273
Other receivables	105	92
Corporation Tax receivable	986	-
Prepayments and accrued income	1,014	1,218
Deferred debt issue cost	306	168
	72,449	55,751

Trade and other receivables are stated net of impairment.

The pledge loan book of £66.9m (2020: £48.3m) and personal loan book of £3.1m (2020: £5.9m) are included, net of provisions, within the trade receivables balance.

Other current assets	2021 £'000	2020 £'000
Other current assets	-	1

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

	2021 £'000	2020 £'000
Cash and bank balances	17,638	34,453

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

	2021	2020
	£'000	£'000

Parent company balance sheet
As at 31 December 2021

Trade payables	3,473	4,278
Other taxation and social security costs	833	1,033
Accruals and deferred income	5,848	5,496
	10,154	10,807

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 31 days (2020: 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

	2021 £'000	2020 £'000
Current liabilities	3,191	3,568
Non-current liabilities	15,792	17,077

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

	2021 £'000	2020 £'000
Within one year	3,191	3,568
In the second to fifth years inclusive	12,557	13,181
After five years	3,235	3,896
	18,983	20,645

	2021 £'000	2020 £'000
Current tax liabilities	375	1,972

Parent company balance sheet
As at 31 December 2021

23. Borrowings

As at 31 December 2021 the key terms of the Lloyds Bank plc facility were:

Key Term	Description – Revolving Credit Facility
Total Facility Size	£15m
Termination Date	28 December 2024
Utilisation	The facility is available to be drawn down to the full £15m 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 SONIA plus a margin of between 1.7% and 2.45%, dependent on ratios as stipulated in the Credit Agreement.
Interest Payable	Interest due on the loans is payable at each interest period end. Interest amounts outstanding at the year-end are included in accruals.
Repayments	Capital repayments are permitted prior to termination date for the whole or any part of the loan

Key Term	Description – Annual Overdraft Facility
Total Facility Size	£20m
Termination Date	31 October 2022

Utilisation	The facility is available to be drawn down to the full £20m 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 the Bank of England base rate plus a margin of 1.7%
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 £194,000 of deferred debt issue costs written off in the period to the Group statement of comprehensive income (2020: £117,000).

Security

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

Undrawn borrowing facilities

At 31 December 2021, the Group had available £15,000,000 (2020: £32,000,000) of undrawn committed borrowing facilities and £20,000,000 of uncommitted (2020: £3,000,000) 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 2021	1,078	1,543	201	2,822
Adjustment in respect of prior years	(1,240)	-	-	(1,240)
Credit/(debit) to income	301	(160)	47	188
Debit to equity	-	-	(44)	(44)
As 31 December 2021	139	1,383	204	1,726

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 corporate tax rate will increase to 25% from 2023.

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.

Parent company balance sheet
As at 31 December 2021

25. Provisions

	Provision for reinstatement £'000	Provision for redress costs £'000	Total Provision £'000
At 1 January 2020	1,490	-	1,490
Additional provision in the year	168	-	168
Provision utilised in the year	(9)	-	(9)
At 1 January 2021	1,649	-	1,649
Additional provision in the year	103	2,099	2,202
Provision utilised in the year	(24)	-	(24)
At 31 December 2021	1,728	2,099	3,827

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.

We have worked closely with the FCA and the appointed skilled person since their review commenced in Q4 2019. We have raised a provision of £2.1m which represents our best estimate of the expected cost of the redress programme.

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 2021	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amount total
	£'000	£'000	£'000
Financial assets			
Pawnbroking trade receivables	66,862	-	66,862
Other financial services trade receivables	3,051	-	3,051
Other assets	141	-	141
Cash and cash equivalents	17,637	-	17,637
Financial liabilities			
Trade and other payables	-	(11,420)	(11,420)
Borrowings due after more than one year	-	-	-
Net financial assets/(liabilities)	**87,691**	**(11,420)**	**76,271**

Parent company balance sheet
As at 31 December 2021

At 31 December 2020	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amount total
	£'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**

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. The impact of traditional macro-economic downside indicators are currently deemed to be immaterial to the calculation of ECLs. 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 in excess of 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	13,129	(1,059)	12,070
Increased credit risk	Lifetime ECL- not credit impaired	62,107	(8,625)	53,482
In default	Lifetime ECL - credit impaired	2,706	(1,396)	1,310
		77,942	**(11,080)**	**66,862**

Included within the above loss allowances are a specific provision totalling £504,000 (2020: £446,000) 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 rate is a reasonably possible variance based on historical trends and would result in an impact on Group pre-tax profit of £293,000 / (£293,000). 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 rate.

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 2020	16,201
Net Consolidated Statement of Comprehensive Income charge	(6,008)
Written off	268
Balance at 31 December 2020	10,461
Net Consolidated Statement of Comprehensive Income charge	774
Written back	(155)
Balance at 31 December 2021	11,080

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	2,741	(394)	2,347
1 missed payment	Lifetime ECL- not credit impaired	339	(156)	183
2 missed payments	Lifetime ECL- not credit impaired	143	(105)	38
3 + missed payments	Lifetime ECL - credit impaired	628	(145)	483
		3,851	**(800)**	**3,051**

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 £6,500 / (£6,500).
Previously fully impaired debtors to the extent of £483k have been reinstated to allow for S166 remediation programme.
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 2020	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
Net Consolidated Statement of Comprehensive Income charge	(2,342)
Written back	1,460
Balance at 31 December 2021	800

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 2020	32
Net Consolidated Statement of Comprehensive Income charge	223
Written off	(242)
Balance at 31 December 2020	13
Net Consolidated Statement of Comprehensive Income charge	201
Written off	(198)
Balance at 31 December 2021	16

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:

	2021 £'000	2020 £'000
Barclays Bank plc	-	106
Lloyds Bank plc	9,306	26,215
Cash at stores	8,332	8,132
	17,638	34,453

Market risk

Pawnbroking trade receivables

The collateral which protects the Group from credit risk on non-redemption of pawn loans is 99% (2020: 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.

The Group considers the exposure to movements in the price of gold on pawnbroking pledges to be limited for a number of reasons. The Group applies conservative lending policies in pawnbroking pledges. Movements in the gold price are reflected in the blended margin made on retail sales and scrap gold on those contracts which subsequently 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 £71,536,000 (2020: £53,291,000). 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.

As a result, currently a 1% increase/(decrease) in the gold price as it affects the pawn service charge will have a £0 impact on pre-tax profit, however 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: the size of the pledge book and associated yield is directly linked to lending rates, and

26. Financial instruments (continued)

a. 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 December 2024. At 31 December 2021, the Group has available £15,000,000 (2020: £32,000,000) of undrawn committed borrowing facilities and £20,000,000 (2020: £3,000,000) of un-committed facilities in respect of which all conditions precedent had been met. This level of headroom on the financing covenants is considered sufficient to finance operations at the current level, and as described in note 23.As shown in note 29, the business has utilised cash flow from operating activities in the current year and still 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 2021							
Floating rate borrowings	11	11	47	72	142	142	425
Trade and other payables	5,572	5,848	-	-	-	-	11,420
Total	5,583	5,859	47	72	142	142	11,845

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

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 SONIA yield curve derived from quoted interest rates. The above amounts are contractual, undiscounted cash flows.

Interest rate risk

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 2021 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 assets 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.

Parent company balance sheet
As at 31 December 2021
27. Share capital

	2021 £'000	2020 £'000
Issued, authorised and fully paid		
39,864,077 (2020: 39,864,077) ordinary shares of £0.05 each	1,993	1,993

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

The Group issued share capital amounting to £NIL (2020: £6,000) during the year. Associated share premium of £NIL (2020: £307,000) was created.

Options over shares of the Company are disclosed in note 28. Under these share option arrangements, there are 143,298 (2020: 216,155) 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	2021 £'000	2020 £'000
Debt	-	-
Cash and cash equivalents	(17,638)	(34,453)
Net debt	Nil	nil
Equity	136,618	134,549
Net debt to equity ratio (a non IFRS measure)	nil	nil

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.

Parent company balance sheet
As at 31 December 2021

28. Share-based payments

As at 31 December 2021, the Company operated three share award schemes (Approved Share Options Scheme, Unapproved Share Option Scheme and Performance Share Plan 'PSP'). There was a P&L charge of £55,000 (2020: £35,000 release 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 (2020: 3,986,408 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, 2010 and 2011 have already been met. The performance conditions applicable to grants in subsequent years are as follows:

Options granted in 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 2012	March 2012	297.0	55,043	29/03/2015	28/03/2022
ASOS 2013	March 2013	292.3	62,837	28/03/2016	27/03/2023

The Group did not issue any share options during 2014 – 2021.

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

	Number of share options	2021 Weighted average exercise price (in pence)	Number of share options	2020 Weighted average exercise price (in pence)
Outstanding at beginning of the year	182,598	295.7	209,146	290.4
Forfeited during the year	(64,718)	297.9	(5,364)	287.5
Exercised during the year	-	-	(21,184)	245.5
Outstanding at the end of the year	117,880	294.5	182,598	295.7
Exercisable at the end of the year	117,880	294.5	182,598	295.7

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 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 2021.

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

	Number of share options	2021 Weighted average exercise price (in pence)	Number of share options	2020 Weighted average exercise price (in pence)
Outstanding at beginning of the year	33,557	295.0	194,963	254.0
Granted during the year	-	-	-	-
Forfeited during the year	(8,139)	298.5	(54,989)	245.5
Exercised during the year	-	-	(106,417)	245.5
Outstanding at the end of the year	25,418	293.9	33,557	295.0
Exercisable at the end of the year	25,418	293.9	33,557	295.0

Parent company balance sheet
As at 31 December 2021

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.

2019 PSP scheme

On 6 September 2019 a PSP scheme was put in place.

The minimum conditions under the three-year performance period to 31 December 2021 were not met. No shares have or will be issued.

2020 PSP scheme

On 11 November 2020 a PSP scheme was put in place. There are currently 12 senior managers who are participants of the scheme, and NIL Executive Director. The maximum number of potential shares awarded under the scheme will be 279,398, including NIL for the Executive Director and 59,387 for the previous 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.

2021 PSP scheme

On 14 May 2021 a PSP scheme was put in place. There are currently 12 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 366,053, including 150,485 for the Executive Director.

There is a three-year performance period to 31 December 2023 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 64.5% and 84.0% and Earnings per Share growth over the same three-year period at between 20.2% and 57.0%; 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.

Parent company balance sheet
As at 31 December 2021

29. Notes to the cash flow statement

	2021 £'000	2020 £'000
Profit for the year	6,044	12,562
Adjustments for:		
Investment revenues	(8)	(5)
Financing costs	1,247	1,257
Increase in provisions	2,178	160
Income tax expense	1,818	3,070
Depreciation of property, plant and equipment	2,666	2,204
Depreciation of right-of-use assets	5,071	5,122
Amortisation of intangible assets	995	1,428
Right of use asset Impairment	(179)	531
Share-based payment expense	55	(35)
Loss on disposal of property, plant and equipment	38	99
	3	-
Operating cash flows before movements in working capital	19,928	26,393
(Increase)/decrease in inventories	(857)	1,679
Decrease in other current assets	1	713
(Increase)/decrease in receivables	(15,574)	35,200
Decrease in payables	(2,009)	(3,842)
Cash generated from operations	1,489	60,143
Income taxes paid	(3,349)	(3,707)
Interest paid on loan facility	(225)	(350)
Interest paid on lease liability	(950)	(736)
Net cash (utilised)/generated from operating activities	(3,035)	55,350

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.

Parent company balance sheet
As at 31 December 2021

30. Acquisitions

There were no acquisitions made during the year:

	Total 2021	Total 2020
	£'000	£'000
Assets		
Goodwill	-	-
Intangible assets	-	35
Property, plant and equipment	-	3
Inventory		86
Trade receivables	-	177
Cash	-	-
Total assets acquired	-	301
Total consideration:		
Cash	-	301
Net cash outflow arising on acquisition		
Cash consideration	-	301
Less: cash balances acquired	-	-
Total assets acquired	-	301

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 flows.

Parent company balance sheet
As at 31 December 2021

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':

	2021 £'000	2020 £'000
Short-term employee benefits	1,502	1,308
Pension contributions	31	65
Share-based payments	-	55
	1,533	1,428

32. Capital commitments

There is no significant capital expenditure authorised and contracted for but not provided in the accounts (2020: £nil).

33. Contingent Liabilities

There were no contingent liabilities that were not provided in these financial statements.

34. Non-recurring expenses

A provision of £2.1m has been raised as at 31 December 2021, as required under IAS37. This is an estimate of the future cost of the redress programme, in respect of the regulatory review of the Group's HCST loans business. This cost is one-off in nature, it has been disclosed as a non-recurring expense.

35. Events after the balance sheet date

The Directors have proposed a final dividend for the year ended 31 December 2021 of 8.0p (2020: 6.0p) (note 14).

Parent company balance sheet
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Investments	C	44,873	44,818
		44,873	44,818
Current assets			
Receivables	D	7,827	72
Cash at bank and in hand		6	3
		7,833	75
Liabilities: amounts falling due within one year	E	(685)	(8,732)
Net current assets		7,148	(8,657)
Total assets less current liabilities		52,021	36,161
Net assets		52,021	36,161
Capital and reserves			
Called up share capital	F	1,993	1,993
Share premium account		33,486	33,486
Employee Benefit Trust shares reserve		(35)	(35)
Share option reserve		1,782	1,727
Profit and loss account		14,795	(1,010)
Total shareholders' funds		52,021	36,161

The financial statements of H & T Group plc, registered number 05188117, were approved by the Board of Directors and authorised for issue on 7 March 2022.

Signed on behalf of the Board of Directors by:

C D Gillespie
Chief Executive

Parent company statement of changes in equity
For the year ended 31 December 2021

2021 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	2021 Total £'000
At 1 January		1,993	33,486	(35)	1,727	(1,010)	36,161
Profit/(Loss) for the financial year		-	-	-	-	19,791	19,791
Dividend paid		-	-	-	-	(3,986)	(3,986)
Issue of share capital	F	-	-	-	-	-	-
Share options	G	-	-	-	55	-	55
At 31 December		1,993	33,486	(35)	1,782	14,795	52,021

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	2020 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

Notes to the Parent Company financial statements (continued)
For the year ended 31 December 2021

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 34. The nature of the Company's operations and its principal activities are set out in the business overview on page 7-11.

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.

Notes to the Parent Company financial statements (continued)
For the year ended 31 December 2021

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 profit after taxation of £19,791,000 in 2021 (2020: loss of £190,000). The key movement, year on year, relates to dividend income of £20,000,000 received from Harvey and Thompson Ltd.

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 2021	44,818
Charge	55
At 31 December 2021	44,873

Within the cost at 1 January 2021 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

	2021 £'000	2020 £'000
Amounts owed by subsidiary companies	7,824	35
Prepayments and accrued income	3	37
	7,827	72

E. Liabilities: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	575	502
Amounts owed to subsidiary companies	35	8,186
Accruals and deferred income	75	44
	685	8,732

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.