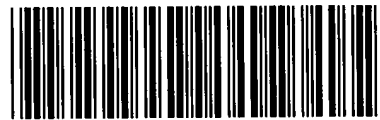


Registered Number 03045495

**RAMSDENS FINANCIAL LIMITED**

Financial Statements for the year ended 31 March 2019

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COMPANIES HOUSE

# **Ramsdens Financial Limited**

## **Officers and registered office**

The board of directors:

P E Kenyon

M A Clyburn

A Meehan

J Carr

M Johnson

Registered office:

Unit 16, Parkway Shopping Centre

Coulby Newham

Middlesbrough

Cleveland

TS8 0TW

Auditor:

Ernst & Young LLP

Citygate

St James' Boulevard

Newcastle upon Tyne

NE1 4JD

# Ramsdens Financial Limited

## Strategic Report

### For the year ended 31 March 2019

The directors present their strategic report and the financial statements of the company for the year ended 31 March 2019.

#### BUSINESS REVIEW

The Company saw continued growth across all business segments with the Company serving more than 832,000 customers during the year. £496m of currency was exchanged with the Company increasing from £485m in the prior year. Jewellery retail revenue grew by 23% and the pawnbroking gross profit grew by 8%. The store network increased by 25 to 156 stores including 4 franchised stores. The Company completed the acquisition of 18 stores and 5 loan books from Instant Cash Loans Limited trading as The Money Shop towards the end of the financial year.

The Company's profit after tax was £5,151,000 (2018: £5,047,000) representing a good result given market conditions demonstrating the company's resilience due to its diversified and growing income streams.

The Company monitors forthcoming legislation regularly and continues to seek ways of ensuring that a safe and healthy working environment is maintained and progressively improved.

Key financial performance indicators include the monitoring of profitability and working capital.

	2019	2018	Measure
	£'000	£'000	
Revenue (£'000)	46,785	39,942	Turnover generated by continuing operations of the business
Underlying EBITDA	8,098	7,765	Earnings before interest, tax, depreciation, amortisation, loss on disposal of fixed assets, gains in fair value of derivatives, share based payments and exceptional expenses
Return on capital (%)	21%	23%	Profit before tax/Net assets
Current ratio	2.32	2.56	Current assets/Current liabilities

#### FUTURE DEVELOPMENTS

The Company will continue to improve the core branch estate including relocating branches to more central locations, opening new stores, and developing its online offering. The Company is also well placed to capitalise on any opportunities that arise in the markets that it operates.

## Ramsdens Financial Limited

### Strategic Report

For the year ended 31 March 2019

#### PRINCIPAL RISKS AND UNCERTAINTIES

Set out below are the principal risks and uncertainties that the Directors consider could impact the business. The Board continually reviews the potential risks facing the Company and the controls in place to mitigate those risks and any potential adverse impacts.

The Board recognises that the nature and scope of risks can change and that there may be other risks to which the Company is exposed. The list is not intended to be exhaustive and excludes potential risks that the Board currently assess as not being material.

Risk and Impact	Mitigating Factors
<p><b>Economic Risk</b></p> <p>The significant majority of the Company's revenue is generated in the UK to UK customers. A deterioration in the UK economy may adversely affect consumer confidence to travel abroad or buy luxury items.</p> <p>The expected exit of the UK from the European Union has created uncertainty on what any trade deal would be going forward and its economic impact on the UK. There are various recessionary impact analysis reports as a consequence of Brexit with a wide variety of outcomes dependent upon political bias.</p> <p>Risks could be wide ranging from general economic downturn to something more specific e.g. restrictions on travelling to / from the UK.</p>	<p>The Company mitigates this risk by having diversified income streams which are counter cyclical and to a degree leave the business recession neutral.</p> <p>Where possible the Company has flexible property lease arrangements being the biggest fixed cost after staff.</p>
<p><b>Regulatory</b></p> <p>The risks are that the business may lose its regulatory approvals, breach other regulations or there are changes in regulation which impact the Company's ability to trade, increase administration costs or result in financial penalties.</p> <p>The Company must be FCA authorised to offer its pawnbroking and credit broking services and is a registered Money Service Business (MSB) with HMRC for foreign currency exchange and cheque cashing.</p>	<p>The Company has an experienced Board. The Directors receive legal advice from advisers and through various memberships of trade associations the Board are always made aware of regulatory changes.</p> <p>The Company has well developed IT systems, operational controls, comprehensive training and a rigorous compliance monitoring program in order to maintain adherence to legislation.</p>
<p><b>IT Security</b></p> <p>The risk is that a malicious attack causes a data breach or the IT system to fail and lead to business interruption and reputational damage.</p> <p>The Company has a significant reliance on the stability and security of its IT system including to track inventory, record and process transactions, summarise results and manage its business. All aspects of the operation of the business, both customer facing as well</p>	<p>Following our cyber incident during the year, policies and procedures were amended, there was an increase in the number of access protocols, all data held was reviewed and greater encryption employed and where possible, data was "air gapped" and stored where remote access is not possible.</p> <p>The Company has a comprehensive business continuity plan to minimize the impact to the business should the IT systems fail. This continues to be tested regularly, as is data restoration from daily data back-ups.</p>

# Ramsdens Financial Limited

## Strategic Report

For the year ended 31 March 2019

<p>as internal management, regulation and control is reliant on the IT and software systems of the Company.</p> <p>There have been an increasing number of well published cyber attacks including that against Ramsdens.</p>	<p>The Company continues to undertake annual penetration testing to test the infrastructure and data security.</p> <p>The internal IT team continues to assess daily any vulnerability to potential cyber threats and uses anti-virus software to protect the systems integrity.</p> <p>The Company has cyber insurance appropriate to its risk profile.</p>
<p><b>Reputation</b></p> <p>The risk is that adverse publicity, or customer comment through social media will have an adverse material impact on its brand and customers using the stores and websites.</p> <p>The Company's financial performance is influenced by the image, perception and recognition of the Ramsdens brand. Many factors such as the image of its stores, its communication activities including marketing, public relation, sponsorship, commercial partnerships and its general corporate and market profile all contribute to maintain the reputation of a brand you can trust. The Company is also well aware that customer recommendations are critical to growing the business and that poor service will be detrimental to that objective.</p>	<p>The Company invests heavily in its staff development and measurement of customer service, through customer surveys, mystery shops using video and internal audits.</p> <p>Complaints are reviewed with a root cause analysis approach so that processes and policies are changed if required.</p>
<p><b>Exchange Rate Risk</b></p> <p>Whilst the Company trades almost exclusively in the UK, the foreign exchange cash held in store is exposed to the risks of currency fluctuations. The value is mainly in Euro and US\$ stocks and the Company enters into monthly contracts to hedge the value.</p> <p>There is the daily risk of buying today, receiving the currency the next day, and subsequently selling it and being susceptible to movements in the exchange rate.</p> <p>There is a period end risk for the FX stock which remains in the branch tills.</p>	<p>The Company uses a mix of monthly and weekly derivative financial instruments to hedge against adverse exchange rate movements in its two key currencies, Euros and US dollars.</p> <p>The policy has been developed over time in conjunction with our hedging suppliers and reviewed by Manchester Business School.</p>
<p><b>Gold Price</b></p> <p>The Company is sensitive to movements in gold prices and the prices of other precious metals.</p> <p>A fall in the price of gold and silver and other precious metals may reduce the value of the Company's assets and adversely affect liquidity.</p> <p>A significant and sustained decline in the price of gold would adversely affect the value of jewellery pledged as collateral by pawnbroking customers and the stock held by the Company. This may also affect volume of jewellery sales and default rates on pawnbroking loans.</p>	<p>The Company forecasts using sensitised gold prices.</p> <p>The Company has the flexibility to amend its lending and buying parameters at short notice. It also has a greater focus on the retail of jewellery as the disposition route rather than the intrinsic value of the precious metal held as security or purchased.</p>

Strategic Report

For the year ended 31 March 2019

<p><b>Liquidity and forecasting risk</b></p> <p>The risk is that the Company runs out of cash, this could be as a result of non-performance reducing profitability and cash generation, expanding too fast, or poor budgetary planning.</p> <p>There is the risk the bank or merchant card supplier becomes insolvent and we no longer have access to our credit funds or our card takings.</p> <p>A reduction in cash for investment will have a significant impact on the Company's ability to deliver its strategy of opening new stores.</p>	<p>The Company has a strong balance sheet with a healthy cash position supported by a medium term revolving credit finance facility from Clydesdale Bank trading as Yorkshire Bank.</p> <p>The Company currently has credit bank balances held with Barclays Bank and Clydesdale Bank trading as Yorkshire Bank. The Company currently use Barclaycard to process its merchant transactions.</p> <p>The Company uses a bespoke financial modelling tool to help predict future cash flows to ensure it has sufficient cash resources.</p>
<p><b>Credit Risk Assessment</b></p> <p>There is a risk that the staff assessment of the articles pawned are overvalued increasing credit risk. The Company is wholly reliant on the article pledged should a customer default. A fall in the gold price also impacts the value of the intrinsic value of the security held.</p>	<p>The Company has invested in training programs and IT systems to help the customer facing store staff to accurately value customer assets. The store staff are supported by experienced and skilled Area Managers and product experts.</p> <p>Should loans not be repaid the Company can rely on the intrinsic value of the metal and stones pledged but can maximise returns by focusing on, and improving, its jewellery retail operations.</p> <p><i>It should be noted the risk is spread over approximately 36,000 customers and the average pawnbroking loan is £225.</i></p>
<p><b>Financial crime</b></p> <p>The Company is at risk to crime internally and externally.</p> <p>This could expose the Company to financial losses as a result of the loss of assets, reimbursement of customers or other business partners, or due to fines or other regulatory sanctions, which could also significantly damage the Company's reputation.</p>	<p>The Company mitigates this risk by having a robust IT system, an independent internal audit department which randomly audits branches and head office departments at least twice per annum and an active centralized compliance and risk function looking for abnormal patterns in transactions. Processes, systems and controls are continually being developed and have been updated in the year.</p> <p>The Company has high levels of physical security and sophisticated alarm systems for its stores and head office.</p> <p>The Company retains all customer data behind two firewalls and utilises data encryption.</p> <p>The Company maintains business insurance for material losses.</p>

Signed by order of the directors



M A Clyburn

3 July 2019

Director

# **Ramsdens Financial Limited**

## **Directors' Report**

### **For the year ended 31 March 2019**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2019.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activities of the company during the year was supply of foreign exchange services, pawnbroking, related financial services, jewellery sales, and the purchase of unwanted gold jewellery from the general public and sold to the bullion market. The results for the year and the financial position of the company are as shown in the annexed financial statements.

#### **RESULTS AND DIVIDENDS**

The profit for the year after taxation, amounted to £5,151,000 (2018: £5,047,000) a rise of 2%. An interim dividend of £2,300,000 was paid (2018: £2,000,000) during the year.

The directors have not recommended the payment of a final dividend (2018: nil).

#### **FINANCIAL INSTRUMENT RISKS AND USE OF DERIVATIVES**

The company finances its operations through cash at the bank and bank loan facilities. The company is exposed to adverse movement in exchange rates in respect of foreign currency holdings. To reduce this exposure the company enters into foreign exchange non-deliverable forward contracts when deemed appropriate.

The company is also exposed to adverse movement in the price of gold and silver. This risk is prevalent in two activities. With gold and silver buying this risk is minimised by reducing the time to process purchased gold and silver for re-sale to a bullion dealer or by improving its retail operations for those items deemed to be re-saleable. With respect to pawnbroking the company minimises risk through its sophisticated lending process which reduces the default rate on pawnbroking loans and again by improving its retail operation to sell the pledged jewellery items following any customer default.

#### **FUTURE DEVELOPMENTS**

Ramsdens has a clear strategy for the long-term, sustainable development of the business across its key market segments. The Board continues to believe in the Company's ability to leverage its strengths including a diversified offer, a recognised brand, solid financial position, and positive cash flows to continue to grow the business both organically and through acquisition, thereby generating capital and income returns for shareholders.

#### **GOING CONCERN**

The company's business activities and its future development are set out in the appropriate sections of directors' and strategic reports above. Integral to the company's trading stability is the assessment and mitigation of risk. This is described in the section dealing with principal risks and uncertainties in the strategic report which deals with identification and the processes for managing its liquidity and perceived operating risks within its trading environment.

# **Ramsdens Financial Limited**

## **Directors' Report**

**For the year ended 31 March 2019**

At the year end the company had a £10 million bank revolving credit facility in place which expires in March 2022. The directors have a reasonable expectation that this will be renewed however should it not; any drawn balance would be repaid from company's existing cash resources.

As a consequence of the cash generative ability of the business and its available funds balance, the directors believe that the company through its diversified portfolio of services offered is well placed to manage its business risks successfully irrespective of any adverse conditions arising going forward. The directors have a reasonable expectation that the company has 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 annual financial statements.

### **DIRECTORS**

The current directors are listed on page 1 and represent the directors that are currently in place at the year end and have been in place throughout the year.

### **DISABLED EMPLOYEES**

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### **EMPLOYEE INVOLVEMENT**

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. The Directors have a policy of providing employees with information about the company to keep them informed. The company's employment structure facilitates management to engage regularly with staff at all levels thereby allowing a free flow of information and communication of company policies and alignment of core goals. Employees are encouraged to participate in the performance of the business through varying incentive schemes.

### **DISCLOSURE OF INFORMATION TO THE AUDITOR**

In so far as each person who was a director at the date of approving this report is aware:

- there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.



**Ramsdens Financial Limited**

**Directors' Report**

**For the year ended 31 March 2019**

**AUDITOR**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Registered office:

Unit 16

Parkway Shopping Centre

Coulby Newham

Middlesbrough

TS8 0TJ

Signed by order of the directors



M A Clyburn

Chief Financial Officer

Approved by the directors on 3 July 2019

## **Ramsdens Financial Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, the Directors' 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 have elected to prepare the financial statements in International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the Comprehensive Income of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

## **Independent Auditor's Report to the members of Ramsdens Financial Limited**

### **Opinion**

We have audited the financial statements of Ramsdens Financial Limited for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- ▶ give a true and fair view of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ 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 below. We are independent of the 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, 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### **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.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

## **Independent Auditor's Report to the members of Ramsdens Financial Limited**

statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 statement of directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

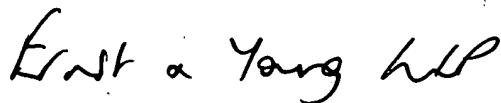
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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

## Independent Auditor's Report to the members of Ramsdens Financial Limited

### 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.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP'.

Sandra Thompson (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Newcastle upon Tyne

3 July 2019

**Statement of Comprehensive Income**  
**For the year ended 31 March 2019**

	Notes	2019 £'000	2018 £'000
Revenue	5	46,785	39,942
Cost of sales		(16,263)	(11,595)
<b>Gross profit</b>	5	<b>30,522</b>	<b>28,347</b>
Administrative expenses		(23,935)	(21,888)
<b>Operating profit</b>		<b>6,587</b>	<b>6,459</b>
Finance Costs	6	(131)	(177)
Gain on fair value of derivative financial liability		40	79
<b>Profit before tax</b>		<b>6,496</b>	<b>6,361</b>
Income tax expense	9	(1,345)	(1,314)
<b>Profit for the period</b>		<b>5,151</b>	<b>5,047</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>5,151</b>	<b>5,047</b>

All activities derive from continuing operations.

**Statement of Financial Position  
As at 31 March 2019**

		2019	2018
		£'000	£'000
<b>Assets</b>	<b>Notes</b>		
<b>Non-current assets</b>			
Property, plant and equipment	11	5,485	4,302
Intangible assets	12	4,526	3,669
Investments	13	-	-
		<u>10,011</u>	<u>7,971</u>
<b>Current Assets</b>			
Inventories	15	12,658	7,567
Trade and other receivables	16	10,892	10,579
Cash and short term deposits	17	13,413	14,592
		<u>36,963</u>	<u>32,738</u>
<b>Total assets</b>		<u><b>46,974</b></u>	<u><b>40,709</b></u>
<b>Current liabilities</b>			
Trade and other payables	18	10,062	10,264
Interest bearing loans and borrowings	18	5,184	1,883
Income tax payable	18	660	619
		<u>15,906</u>	<u>12,766</u>
<b>Net current assets</b>		<u><b>21,057</b></u>	<u><b>19,972</b></u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	19	-	1
Accruals and deferred income	19	453	300
Derivative financial liabilities	19	-	40
Deferred tax liabilities	19	121	82
		<u>574</u>	<u>423</u>
<b>Total liabilities</b>		<u><b>16,480</b></u>	<u><b>13,189</b></u>
<b>Net assets</b>		<u><b>30,494</b></u>	<u><b>27,520</b></u>
<b>Equity</b>			
Issued capital	20	1	1
Share premium		470	470
Retained earnings		30,023	27,049
<b>Total shareholders' equity</b>		<u><b>30,494</b></u>	<u><b>27,520</b></u>

The financial statements of Ramsdens Financial Limited, registered number 03045495, were approved by the directors and authorised for issue on 3 July 2019 and signed on their behalf by:



M A Clyburn  
Chief Financial Officer

**Statement of Changes in Equity  
For the year ended 31 March 2019**

	Notes	Share Capital	Share premium	Retained earnings	Total shareholders' funds
		£'000	£'000	£'000	£'000
As at 1 April 2017		1	470	23,919	24,390
Profit for the year		-	-	5,047	5,047
Total comprehensive income		-	-	5,047	5,047
Dividends	21			(2,000)	(2,000)
Share based payments	25	-	-	83	83
As at 31 March 2018		1	470	27,049	27,520
As at 1 April 2018		1	470	27,049	27,520
Profit for the year				5,151	5,151
Total comprehensive income		-	-	5,151	5,151
Dividends	21	-	-	(2,300)	(2,300)
Share based payments	25	-	-	123	123
As at 31 March 2019		1	470	30,023	30,494



## Statement of Cash Flows

### For the year ended 31 March 2019

		2019 £'000	2018 £'000
<b>Operating activities</b>	<b>Notes</b>		
Profit before tax		6,496	6,361
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	11	1,215	1,079
Amortisation and impairment of intangible assets	12	99	115
Change in derivative financial instruments		(40)	(79)
Loss on disposal of property, plant and equipment		74	29
Share based payments	25	123	83
Finance costs	6	131	177
Working capital adjustments:			
Movement in trade and other receivables and prepayments		404	(1,255)
Movement in inventories		(5,091)	(2,229)
Movement in trade and other payables		(269)	3,825
		<u>3,142</u>	<u>8,106</u>
Interest paid		(131)	(173)
Income tax paid		(1,265)	(995)
<b>Net cash flows from operating activities</b>		<u>1,746</u>	<u>6,938</u>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		3	1
Purchase of property, plant and equipment	11	(2,315)	(1,201)
Purchase of intangible assets	12	(109)	(111)
Acquisition	10	(1,504)	-
<b>Net cash flows used in investing activities</b>		<u>(3,925)</u>	<u>(1,311)</u>
<b>Financing Activities</b>			
Dividends paid	20	(2,300)	(2,000)
Payment of finance lease liabilities		(8)	(8)
Bank loans drawn down		5,183	1,875
Repayment of bank borrowings		(1,875)	(2,310)
<b>Net cash flows used in financing activities</b>		<u>1,000</u>	<u>(2,443)</u>
<b>Net increase in cash and cash equivalents</b>		<u>(1,179)</u>	<u>3,184</u>
Cash and cash equivalents at 1 April		14,592	11,408
<b>Cash and cash equivalents at 31 March</b>		<u>13,413</u>	<u>14,592</u>

## Notes to the financial statements

### 1. Corporate information

Ramsdens Financial Limited (the "Company") is a private limited company incorporated and domiciled in England and Wales. The registered office of the Company is Unit 16, Parkway Shopping Centre, Coulby Newham, Middlesbrough, TS8 0TJ. The registered company number is 03045495.

The principal activities of the Company are the supply of foreign exchange services, pawnbroking and related financial services, jewellery sales, and the purchase of gold jewellery from the general public.

### 2. Changes in accounting policies

#### Adoption of new and revised standards

In the current year, the Company has applied the following accounting standards that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Further details of the impact of IFRS 9 are given below. The other changes have not had a material impact on the amounts reported in these financial statements.

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

#### Standards issued but not yet effective

At the date of authorisation of these financial statements the Company had not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 40	Transfer of Investment Property

The Directors have considered the likely impact of the above standards on the financial statements of the Company in future periods. Other than IFRS 16 detailed below, the directors do not consider that the standards will have a material impact on the financial statements in future periods.

#### IFRS 9 Financial Instruments

The Company has applied IFRS 9 Financial Instruments and has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures. The Company has opted not to amend 2018 comparatives. Pawnbroking loans are financial instruments and are therefore in scope of IFRS 9.

The impairment model under IFRS 9 reflects expected credit losses. The Company now shows gross pawnbroking interest as revenue and recognises impairment as a cost of sale. In the previous year the Company showed revenue net of impairment. This change does not affect the profit or reserves in the current or previous year, and therefore the comparative balances have not been restated.

## **2. Changes in accounting policies (continued)**

The Company has also reviewed receivables from segments other than pawnbroking and have concluded that expected credit losses for these receivables are consistently immaterial to the Company.

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

There has been no changes in classification as a result of the implementation of IFRS 9.

### **IFRS 15 Revenue from Contracts with Customers**

The Company has applied IFRS 15 Revenue from Contracts with Customers. IFRS 15 introduces a 5 step approach to revenue recognition which has been reviewed against the revenue recognition policies of the Company.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what is more commonly known as 'accrued income' and 'deferred income', however the standard does not prohibit the use of alternative descriptions in the financial statements. The Company has retained the use of 'deferred income' in the financial statements.

As a result of the implementation of IFRS 15 during the year, management has reviewed the accounting treatment of unredeemed pawnbroking loans. These are loan balances where the customer has defaulted on their loan. Management has assessed these transactions against the control criteria in IFRS 15 and has concluded that the substance of the legal arrangement is that control of the pledged item transfers to the Company at the point the customer defaults. This is due to the fact the Company controls the method of disposal and the price, despite legal title of the goods not transferring. Management has recorded revenue of £2,472,000 to reflect the consideration received for the pledged item, with a corresponding adjustment to cost of sales, reflecting the cost to the Company. There is no impact on gross profit or earnings as a result of this adjustment. The pledge balance, representing the cost of acquiring the pledged item, has been reclassified to inventory, and is measured at the lower of cost and net realisable value in accordance with IAS 2. Accordingly, the Statement of Financial Position has been amended to reflect the transfer from receivables to inventory, amounting to £1,965,000 at 1 April 2018. This has no impact on total current assets or the net assets.

The application of IFRS 15, including identification of performance obligations and the point at which these are satisfied, is disclosed in the updated revenue recognition policy detailed in 3.15 below.

The Company has adopted IFRS 15 using the modified retrospective approach. Therefore the comparative information was not restated. The impact of the application of IFRS 15 is detailed below:

### **Statement of Comprehensive Income**

**For the year ended 31 March 2019**

	IFRS15	Previous IFRS	Change
	£'000	£'000	£'000
Revenue	46,785	44,313	2,472
Cost of sales	(16,263)	(13,791)	(2,472)
Gross profit	30,522	30,522	-
Profit before tax	6,496	6,496	-
Profit for the period	5,151	5,151	-
Total comprehensive income	5,151	5,151	-

**2. Changes in accounting policies (continued)**

**Statement of Financial Position  
As at 1 April 2018**

	IFRS15	Previous IFRS	Change
	£'000	£'000	£'000
Inventories	9,532	7,567	1,965
Trade and other receivables	8,614	10,579	(1,965)
Current assets	32,738	32,738	-
Total assets	40,709	40,709	-
Total liabilities	13,189	13,189	-
Net assets	27,520	27,520	-
Total equity	27,520	27,520	-

**IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Company expects to adopt IFRS 16 for the year ending 31 March 2020. As at 31 March 2019, the Company has non-cancellable operating lease commitments of £11.7m. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 23. Our assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Company's financial statements. Preliminary calculations indicate that the impact on the Statement of Financial Position will be a net reduction in retained earnings of £1.1m as at 31 March 2019, with the right-of-use asset capitalised at net book value of £9.9m offset by lease liability of £10.8m. The impact on the Company's Statement of Comprehensive Income for 2019 is likely to be favourable by £0.1m.

**3. Significant accounting policies**

**3.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are presented in pounds sterling which is the functional currency of the Company. All values are rounded to the nearest thousand (£000), except when otherwise indicated.

### **3. Significant accounting policies (continued)**

#### **3.2 Going Concern**

The Directors have made appropriate enquiries and formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### **3.3 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred which represents the fair value of the assets transferred and liabilities incurred or assumed. Acquisition related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of comprehensive income as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

#### **3.4 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of comprehensive income when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite and at the date of the statement of financial position no intangible assets are accorded an indefinite life.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Amortisation is calculated over the estimated useful lives of the assets as follows:

- Customer relationships - 40% reducing balance
- Software - 20% straight line

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

### **3. Significant accounting policies (continued)**

#### **3.5 Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses (if any). All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated over the estimated useful lives of the assets as follows:

- Leasehold property - straight line over the lease term
- Fixtures & fittings - 20% & 33% reducing balance
- Computer equipment - 25% & 33% reducing balance
- Motor vehicles - 25% reducing balance

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### **3.6 Impairment of non-financial assets**

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects 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 transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGUs to which the individual assets are allocated, which is usually taken to be each individual branch store. These budgets and forecast calculations are generally covering a period of ten years.

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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 3. Significant accounting policies (continued)

#### ***Goodwill***

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **3.7 Inventories**

Inventories comprise of electronics, retail jewellery and precious metals held to be scrapped and are valued at the lower of cost and net realisable value.

Cost represents the purchase price plus overheads directly related to bringing the inventory to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to sell.

#### **3.8 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### ***Financial assets***

Financial assets are all recognised and derecognised on a trade date basis. All recognised financial assets are measured and subsequently measured at amortised cost or fair value depending on the classification of the financial asset.

#### ***Classification of financial assets***

Financial assets that meet the following criteria are measured at amortised cost:

- the financial asset is held within the 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.

In accordance with IFRS 9 Financial Instruments the Company has classified its financial assets as amortised cost, no financial assets have been classified as FVTOCI or FVTPL at the reporting dates for 2019 and 2018. The effective interest method is used to calculate the amortised cost of debt instruments by allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition less 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.

**3. Significant accounting policies (continued)**

***Cash and cash equivalents***

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand, foreign currency held for resale and short term deposits held with banks with a maturity of three months or less from inception.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash, foreign currency held for resale and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

***Impairment of financial assets***

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

The Company recognises lifetime expected credit losses 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 Company recognises the 12 month expected credit losses. As pawnbroking loans are typically over a six month term the lifetime expected credit losses are usually the same as the 12 month expected credit losses.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company 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 Company considers both quantitative and qualitative information that is reasonable and supportable including historical experience.

The measurement of expected credit losses is a function of the probability of default, and the loss (if any) on default. The assessment of the probability of default is based on historical data. The loss on default is based on the assets gross carrying amount less any realisable security held. The expected credit loss calculation considers both the interest income and the capital element of the pawnbroking loans. Details of the key assumptions for pawnbroking expected credit losses are given in note 4.

***Derecognition***

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in the income statement.

**Financial liabilities**

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

All financial liabilities are recognised initially at amortised cost or at fair value through profit and loss (FVTPL).

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.



### **3. Significant accounting policies (continued)**

Only the Company's derivative financial instruments are classified as financial liabilities at fair value through profit or loss.

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

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **3.9 Fair value measurement**

The Company measures derivatives, at fair value at each date of financial position.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

### **3.10 Taxation**

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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 Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the date of each Statement of Financial Position.

**3. Significant accounting policies (continued)**

**Deferred tax**

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 the date of each statement of financial position 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 and laws that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the 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. Deferred tax is recognised on an undiscounted basis.

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

**3.11 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

For arrangements entered into prior to 1 April 2013, the date of inception is deemed to be 1 April 2013 in accordance with IFRS 1 *First-time Adoption of International Reporting Standards*.

**Hire purchase agreements and finance lease agreements**

Finance leases and hire purchase agreements that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The leased asset is depreciated over the shorter of the lease term and its useful economic life.

Obligations under such agreements are included within payables, net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of interest on the net obligation outstanding in each period.

**Operating lease agreements**

Rentals applicable to operating leases, where substantially all of the risks and benefits or ownership remains with the lessor, are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Lease incentives are spread over the period of the lease on a straight line basis.

### **3. Significant accounting policies (continued)**

#### **3.12 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying 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 using the directors' best estimate of the expenditure required to settle the obligation at the date of each statement of financial position.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All of the Company's premises are leased under operating leases. The majority of the leases include an end of lease rectification clause to return the property to its original state. No provision is made until a board decision has been taken to either terminate or not to renew the lease. Additionally, the Company maintains stores to a high standard and completes any necessary repairs and maintenance on a timely basis using the in-house property department and external contractors. These costs are expensed as incurred.

#### **3.13 Pensions and other post-employment benefits**

The Company operates a defined contribution pension scheme. The assets of the scheme are held and administered separately from those of the Company. Contributions payable for the year are charged in the statement of comprehensive income. Total contributions for the year are disclosed in note 8 to the accounts. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

#### **3.14 Employee share incentive plans**

The Company grants equity settled share option rights to the parent entity's equity instruments to certain Directors and senior staff members under a LTIP (Long term incentive plan).

The employee share options are measured at fair value at the date of grant by the use of either the Black-Scholes Model or a Monte Carlo model depending on the vesting conditions attached to the share option. The fair value is expensed on a straight line basis over the vesting period based on an estimate of the number of options that will eventually vest.

#### **3.15 Revenue recognition**

The major sources of revenue come from the following:

- Pawnbroking
- Foreign currency exchange
- Purchase of precious metals
- Retail jewellery sales
- Income from other financial services

Pawnbroking interest revenue is recognised in accordance with IFRS 9, whereas revenue from other sources is recognised in accordance with IFRS 15.

#### **Pawnbroking revenue**

Revenue from pawnbroking comprises interest on pledge loan books and comprises the following two distinct components:

### **3. Significant accounting policies (continued)**

#### *Contractual interest earned:*

Contractual interest is earned on pledge loans up to the point of redemption or the end of the primary contract term. Interest receivable on loans is recognised as interest accrues by reference to the principle outstanding and the effective rate applicable, which is the rate that discounts the estimated cash receipts through the expected life of the financial asset to that asset's net carrying value.

#### *Revenue arising from the disposal of unredeemed pledge contracts:*

When a customer defaults on a pawnbroking loan, the unredeemed pledge contracts are recognised as inventory. Revenue is recognised on the subsequent sale of the pledged assets supporting the pledge contract under IFRS 15.

#### **Foreign currency exchange income**

Revenue is earned in respect of the provision of Bureau de Change facilities offered and represents the margin earned which is recognised at the point the currency is collected by the customer as this represents when the service provided under IFRS 15 has been delivered.

#### **Sale of precious metals acquired via over the counter purchases**

Revenue is recognised when control of the goods has transferred, being at the point the goods are received by the bullion dealer and a sell instruction has been issued. If a price has been fixed in advance of delivery, revenue is recognised at the point the goods are received by the bullion dealer.

#### **Jewellery retail sales**

Revenue is recognised at the point the goods are transferred to the customer and full payment has been received. Customers either pay in full at the time of the transaction and receive the goods, or pay in instalments and receive the goods once the sale is fully paid. Instalment payments are recognised as deferred income until the item is fully paid. The Company has a 7 day refund policy in store, and a 14 day refund policy online reflecting the distance selling regulations.

#### **Other financial income**

Other financial income comprises cheque cashing, buyback and other miscellaneous revenues. Cheque cashing revenue is recognised when the service is provided under IFRS 15 which includes making a payment to the customer. Buyback revenue relates to the sale of items to a customer, either the person who originally sold that item to the business, or to a third party. Revenue is recognised when the goods are transferred to the customer. Full payment is taken at the time or prior to transferring the goods.

### **3.16 Administrative expenses**

Administrative expenses include branch staff and establishment costs.

### **4. Key sources of estimation, uncertainty and significant accounting judgements**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management do not consider there to be significant accounting judgements affecting the financial statements, however, they have identified the following areas of estimation uncertainty:

#### 4. Key sources of estimation, uncertainty and significant accounting judgements (continued)

##### **Revenue recognition – pawnbroking loans interest and impairment**

The Company recognises interest on pawnbroking loans as disclosed in note 3.15. The provision for impairment of pawnbroking loans is material and is dependent on the estimate that the Company makes of both the expected level of the unredeemed pawnbroking loans and the ultimate realisation value for the pledge assets supporting those loans. An assessment is made on a pledge by pledge basis of the carrying value represented by original capital loaned plus accrued interest to date and its corresponding realisation value on sale of unredeemed pledges to identify any deficits. The principle estimates within the loan interest accrual are;

1. Non Redemption Rate

- This is based upon current and historical data held in respect of non-redemption rates

2. Realisation Value

This is based upon either;

- The anticipated price of the metal that will be received through the sale of the metal content via disposal through a bullion dealer.
- The expected resale value of those jewellery items within the pledge that can be retailed through the branch network.

See note 14 for further details on pawnbroking credit risk and impairment provision values.

##### **Impairment of property, plant and equipment and intangible assets**

Determining whether property, plant and equipment and intangibles are impaired requires an estimation of the value in use of the CGU to which the assets have been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and selecting a suitable discount rate in order to calculate present value. The review is conducted annually, in the final quarter of the year. The impairment review is conducted at the level of each CGU, which is usually taken to be each individual branch store.

The principal assumptions applied by management in arriving at the value in use of each CGU are as follows:

1. The Company prepares cash flow forecasts for each branch. Cash flows represent management's estimate of the revenue of the relevant CGU, based upon the specific characteristics of the branch and its stage of development.
2. The Company has discounted the forecast cash flows at a pre-tax, risk adjusted rate of 12%.
3. Where the recoverable amount of the CGU was estimated to be less than its carrying amount, the carrying amount of the CGU was reduced to the estimated recoverable amount.

Whilst the impairment review has been conducted based on the best available estimates at the impairment review date, the Company notes that actual events may vary from management expectation.

##### **Taxes**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

## Ramsdens Financial Limited

### 5. Segmental analysis

The Company's revenue from external customers is shown by geographical location below:

	2019 £'000	2018 £'000
<b>Revenue</b>		
United Kingdom	46,707	39,800
Other	78	142
	<u>46,785</u>	<u>39,942</u>

The Company's assets are located entirely in the United Kingdom therefore no further geographical segments analysis is presented. The Company is organised into operating segments, identified based on key revenue streams.

The Company's revenue is analysed below between revenue from contracts with customers and other sources which comprises interest earned on pawnbroking loans:

	2019 £'000	2018 £'000
<b>Revenue</b>		
Contracts with customers	39,543	32,976
Pawnbroking interest income	7,242	6,966
	<u>46,785</u>	<u>39,942</u>

	2019 £'000	2018 £'000
<b>Revenue</b>		
Pawnbroking	10,544	6,966
Purchases of precious metals	12,343	10,936
Retail Jewellery sales	9,771	7,960
Foreign currency margin	11,585	11,329
Income from other financial services	2,542	2,751
<b>Total revenue</b>	<u>46,785</u>	<u>39,942</u>

Included within the pawnbroking segment revenue above, is pawnbroking interest of £7,242,000 and revenue arising from the disposal of pledges of £3,302,000. As a consequence of adopting IFRS 9 and IFRS 15, both Pawnbroking Revenue and Pawnbroking Cost of sales have increased by £3.0m in FY19, with comparatives not restated.

#### Gross profit

Pawnbroking	7,520	6,966
Purchases of precious metals	4,801	4,356
Retail Jewellery sales	5,039	4,130
Foreign currency margin	11,585	11,329
Income from other financial services	1,577	1,566
<b>Total gross profit</b>	<u>30,522</u>	<u>28,347</u>

5. Segmental analysis (continued)

	2019	2018
	£'000	£'000
<b>Total gross profit</b>	30,522	28,347
Administrative expenses	(23,935)	(21,888)
Finance costs	(131)	(177)
Gain on fair value of derivative financial liability	40	79
<b>Profit before tax</b>	6,496	6,361

Income from other financial services comprises of cheque cashing fees, Electronics & buybacks, agency commissions on miscellaneous financial products.

Revenue from the purchases of precious metals is currently from one bullion dealer. There is no reliance on key customers in other revenue streams.

The Company is unable to meaningfully allocate administrative expenses, or financing costs or income between the segments. Accordingly, the Company is unable to meaningfully disclose an allocation of items included in the Statement of Comprehensive income below gross profit, which represents the reported segmental results.

	2019	2018
	£'000	£'000
<b>Other information</b>		
Tangible & intangible capital additions (*)	3,431	1,312
Depreciation and amortisation (*)	1,314	1,194
	£'000	£'000
<b>Assets</b>		
Pawnbroking	11,363	9,421
Purchase of precious metals	1,492	1,323
Retail Jewellery sales	9,085	6,214
Foreign currency margin	7,566	7,162
Income from other financial services	591	472
Unallocated (*)	16,877	16,117
	46,974	40,709
<b>Liabilities</b>		
Pawnbroking	284	254
Purchase of precious metals	4	5
Retail Jewellery sales	1,286	1,418
Foreign currency margin	2,402	2,814
Income from other financial services	525	422
Unallocated (*)	11,979	8,276
	16,480	13,189

(\*) The Company cannot meaningfully allocate this information by segment due to the fact that all segments operate from the same stores and the assets and liabilities are in use are common to all segments. Fixed assets are therefore included in the unallocated assets balance.

## Ramsdens Financial Limited

### 6. Finance costs

	2019 £'000	2018 £'000
Interest on debts and borrowings	130	176
Finance charges payable under finance leases and hire purchase contracts	1	1
<b>Total finance costs</b>	<b>131</b>	<b>177</b>

### 7. Profit before taxation has been arrived at after charging/(crediting)

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment reported within:		
- Administrative expenses	1,215	1,079
Amortisation of intangible assets reported within:		
- Administrative expenses	99	115
Loss on disposal of property, plant and equipment	74	29
Cost of inventories recognised as an expense	15,711	11,595
Staff costs	11,520	10,415
Foreign currency exchange losses/(gains)	85	(93)
Operating lease payments	3,165	2,726
Auditor's remuneration – Audit fees	90	78

The Company and Group audit fees are borne by Ramsdens Financial Limited. There were no fees payable to the Company's auditor in respect of non-audit services.

### 8. Information regarding directors and employees

#### Directors' emoluments

	2019 £'000	2018 £'000
Remuneration receivable	234	291
Share option scheme	53	42
Pension costs	16	18
	<b>303</b>	<b>351</b>

#### Remuneration of the highest paid director

	2019 £'000	2018 £'000
Remuneration receivable	133	151
Share option scheme	35	28
Pension costs	9	7
	<b>177</b>	<b>186</b>

The number of directors accruing retirement benefits under money purchase schemes is two (2018: two).



**8. Information regarding directors and employees (continued)**

Some of the directors of the Company are also directors of Ramsdens Group Limited and Ramsdens Holdings PLC. The directors received remuneration of £574,000 (2018: £679,000) of which £574,000 (2018: £679,000) was paid by Ramsdens Holdings PLC. The directors do not believe it is practicable to apportion this amount between their services as directors of the Company and other group companies.

	2019 £'000	2018 £'000
<b>Included in administrative expenses:</b>		
Wages and salaries	10,444	9,557
Social security costs	726	654
Share option scheme	123	83
Pension costs	227	121
<b>Total employee benefits expense</b>	<b>11,520</b>	<b>10,415</b>

The average number of staff employed by the Company during the financial period amounted to:

	2019 No.	2018 No.
Head Office and management	86	79
Branch Counter staff	546	491
	<b>632</b>	<b>570</b>

**9. Income Tax**

The major components of income tax expense are:  
Statement of comprehensive income

	2019 £'000	2018 £'000
<b>Current income tax:</b>		
Current income tax charge	1,344	1,327
Adjustments in respect of prior years	(39)	(11)
	<b>1,305</b>	<b>1,316</b>
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	40	(2)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>1,345</b>	<b>1,314</b>

A reconciliation between tax expense and the product of accounting profit multiplied by the UK domestic tax rate is as follows:

	2019 £'000	2018 £'000
<b>Profit before income tax</b>	<b>6,496</b>	<b>6,361</b>
UK corporation tax rate at 19% (2018: 19%)	1,233	1,209
Expenses not deductible for tax purposes	151	116
Adjustment in respect of prior years	(39)	(11)
<b>Income tax reported in the statement of comprehensive income</b>	<b>1,345</b>	<b>1,314</b>

9. Income Tax (continued)

Deferred tax

Deferred tax relates to the following:

	2019	2018
	£'000	£'000
Accelerated depreciation for tax purposes	40	1
Other short-term differences	81	81
<b>Deferred tax liabilities</b>	<b>121</b>	<b>82</b>

Reconciliation of deferred tax liabilities net

	2019	2018
	£'000	£'000
Opening balance as of 1 April	82	84
Deferred tax recognised in the statement of comprehensive income	39	(2)
<b>Closing balance as at 31 March</b>	<b>121</b>	<b>82</b>

Factors affecting tax charge

The standard rate of UK corporation tax for the period was 19% (2018: 19%). Reductions in the rate to 19% from 1 April 2017 and 17% from 1 April 2020 were enacted prior to the date of the statement of financial position and have been applied to the Company's deferred tax balances. This will adjust the Company's future tax charge accordingly.

10. Acquisitions

On the 1 March 2019 the company purchased the trade and certain assets of 18 stores and 5 pawnbroking loan books from Instant Cash Loans Ltd trading as The Money Shop for a cost of £1,504,000. The fair value of the assets and liabilities acquired were as follows:

	£'000
Intangible Fixed Assets – Customer relationships	486
Tangible Fixed Assets – Fixtures & Fittings	160
Trade debtors	717
Creditors due within one year	(220)
Fair value of assets and liabilities acquired	<u>1,143</u>
Goodwill arising on acquisition	361
Total consideration paid	<u>1,504</u>

Total consideration was paid in cash.

# 10. Acquisitions (continued)

Post acquisition, 16 stores continue to trade, with 2 stores and the 5 pawnbroking loan books being merged into existing Ramsdens stores. The acquisition has generated £159,000 of revenue and a loss before tax of £24,000 for the period from acquisition to 31 March 2019. The Company notes it is impractical to calculate the historic revenue and profit of the acquisition for the period prior to acquisition given incomplete information. The goodwill of £361,000 comprises the residual intangible assets which do not meet the recognition criteria under IAS 38 Intangibles to be treated as separate identifiable assets. The goodwill arising on acquisition is not deductible for tax purposes.

# 11. Property, plant and equipment

	Leasehold property	Fixtures & Fitting	Computer equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2018	6,641	6,003	973	52	13,669
Additions	1,289	859	141	26	2,315
Acquisition (note 10)	-	160	-	-	160
Disposals	(182)	(324)	(20)	(26)	(552)
<b>At 31 March 2019</b>	<b>7,748</b>	<b>6,698</b>	<b>1,094</b>	<b>52</b>	<b>15,592</b>
<b>Depreciation</b>					
At 1 April 2018	4,356	4,367	612	32	9,367
Depreciation charge for the year	674	422	109	10	1,215
Disposals	(160)	(277)	(17)	(21)	(475)
<b>At 31 March 2019</b>	<b>4,870</b>	<b>4,512</b>	<b>704</b>	<b>21</b>	<b>10,107</b>
<b>Net book value</b>					
At 31 March 2018	2,285	1,636	361	20	4,302
At 31 March 2019	2,878	2,186	390	31	5,485

## Finance leases

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 March 2019 was £11,000 (2018: £15,000). Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities. Total future obligations under finance leases are £1,000 (2018: £9,000).

## 12. Intangible assets

	Customer relationships £'000	Patents & Licences £'000	Goodwill £'000	Website £'000	Total £'000
<b>Cost</b>					
At 1 April 2018	528	12	4,972	79	5,591
Additions	24	-	85	-	109
Acquisition (note 10)	486	-	361	-	847
Disposals	-	-	-	-	-
<b>At 31 March 2019</b>	<b>1,038</b>	<b>12</b>	<b>5,418</b>	<b>79</b>	<b>6,547</b>
<b>Amortisation</b>					
At 1 April 2018	369	12	1,507	34	1,922
Amortisation charge for the year	83	-	-	16	99
<b>At 31 March 2019</b>	<b>452</b>	<b>12</b>	<b>1,507</b>	<b>50</b>	<b>2,021</b>
<b>Net book value</b>					
At 31 March 2018	159	-	3,465	45	3,669
At 31 March 2019	586	-	3,911	29	4,526

Customer relationship additions relate to £24,000 paid for the pawnbroking customer list purchased on the 5 December 2018.

Goodwill of £85,000 relates to 3 separate purchases of individual stores during the year.

## 13. Investments

The Company has a minor holding in Big Screen Productions 5 LLP.

Big Screen Productions 5 LLP, whilst still trading, has wound down its operations and made a capital distribution equivalent to the value of the carrying value of the investment in 2015. The investment now has a £nil carrying value.

## 14. Financial assets and financial liabilities

At 31 March 2019	Fair value through profit & loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book Value £'000	Fair Value £'000
<b>Financial assets</b>					
Trade and other receivables	-	9,944	-	9,944	9,944
Cash and cash equivalents	-	13,413	-	13,413	13,413
<b>Financial liabilities</b>					
Trade and other payables	-	-	(5,581)	(5,581)	(5,581)
Borrowings	-	-	(5,184)	(5,184)	(5,184)
Derivative financial liabilities – interest rate swap	-	-	-	-	-
<b>Net financial assets/(liabilities)</b>	<b>-</b>	<b>23,357</b>	<b>(10,765)</b>	<b>12,592</b>	<b>12,592</b>

14. Financial assets and financial liabilities (continued)

At 31 March 2018	Fair value through profit & loss	Loans and receivables	Financial liabilities at amortised cost	Book Value	Fair Value
	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>					
Trade and other receivables	-	9,930	-	9,930	9,930
Cash and cash equivalents	-	14,592	-	14,592	14,592
<b>Financial liabilities</b>					
Trade and other payables	-	-	(6,126)	(6,126)	(6,126)
Borrowings	-	-	(1,883)	(1,883)	(1,883)
Derivative financial liabilities – interest rate swap	(40)	-	-	(40)	(40)
<b>Net financial assets/(liabilities)</b>	<b>(40)</b>	<b>24,522</b>	<b>(8,009)</b>	<b>16,473</b>	<b>16,473</b>

Trade and other receivables shown above comprises trade receivables, other receivables and pledge accrued income as disclosed in note 16.

Trade and other payables comprises of trade payables and other payables as disclosed in notes 18 & 19. Borrowings comprises of bank borrowings, obligations under finance leases, loan notes and other loans as disclosed in notes 18 & 19.

Loans and receivables are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

Management have assessed that for cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities their fair values approximate to their carrying amounts largely due to the short-term maturities of these instruments. Book values are deemed to be a reasonable approximation of fair values.

**Fair value**

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

The fair value of the interest rate swaps is based upon the projected interest rate curves, over the life of the interest rate swaps.

The fair value of all other financial instruments is equivalent to their book value due to their short maturities.

**Financial Risks**

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

**Credit risk**

**Pawnbroking loans**

Pawnbroking loans are not credit impaired at origination as customers are expected to repay the capital plus interest due at the contractual term. The Company is exposed to credit risk through customers defaulting on their loans. The key mitigating factor 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 the pledged item can be disposed of to realise the loan value on default.

**14. Financial assets and financial liabilities (continued)**

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

In addition to holding security, the Company further mitigates credit risk by:

- 1) Applying strict lending criteria to all pawnbroking loans. Pledges are rigorously tested and appropriately valued. In all cases where the Company lending policy is applied, the value of the pledged items is in excess of the pawnbroking loan.
- 2) Seeking to improve redemption ratios. For existing customers, loan history and repayment profiles are factored into the loan making decision. The Company has a high customer retention ratio and all customers are offered high customer service levels.
- 3) The carrying value of every pledge comprising the pawnbroking loans is reviewed against its expected realisation proceeds should it not be redeemed and any deficits are provided for based on current and historical non redemption rates.

The Company continually 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 Company transacts with;
- All pawnbroking 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 Company's stores.

***Expected Credit losses***

The Company measures loss allowances for pawnbroking loans using IFRS 9 expected credit losses model. The Company's policy is to begin the disposal process one month after the loan expiry date unless circumstances exist indicating the loan may not be credit impaired. The Company treats loans which are in the course of realisation of the pledged items as credit impaired.

Category	Gross amount £'000	Loss allowance £'000	Net carrying amount £'000
Performing	9,705	(393)	9,312
	9,705	(393)	9,312

The pawnbroking expected credit losses which have been provided on the period end pawnbroking assets are:

	Pawnbroking loans £'000
At 1 April 2017	292
Net statement of comprehensive income charge	50
At 31 March 2018	342
Net statement of comprehensive income charge	51
Balance at 31 March 2019	393

Expected credit losses have increased due to the increase in the pawnbroking loan book.

Bad debts written off during the year net of recoveries were:

	2019 £'000	2018 £'000
Pawnbroking loans	9	14

**14. Financial assets and financial liabilities (continued)**

The ageing of the Pawnbroking loans excluding those in the course of realisation is as follows:

	2019	2018
	£'000	£'000
Within contractual term	6,611	5,732
Past due	1,032	699
	<hr/> 7,643	<hr/> 6,431

***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 theft or loss by employees or third parties. These risks are mitigated by the security systems, policies and procedures that the Company operates at each store, the Company recruitment and training policies and the internal audit function.

**Market risk**

***Pawnbroking loans***

The collateral which protects the Company from credit risk on non-redemption of pawnbroking loans is principally comprised of gold, jewellery items and watches. The value of gold items held as security is directly linked to the price of gold. The Company 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 Company considers this risk to be limited for a number of reasons. First of all, the Company applies conservative lending policies in pawnbroking pledges reflected in the margin made on retail sales and scrap gold when contracts forfeit. The Company is also protected due to the short-term value of the pawnbroking contract. In the event of a significant drop in the price of gold, the Company could mitigate this risk by reducing its lending policy on pawnbroking pledges, by increasing the proportion of gold sold through retail sales or by entering gold hedging instruments. Management monitors the gold price on a constant basis.

Considering areas outside of those financial assets, the Company is subject to higher degrees of pricing risk. The price of gold will affect the future profitability of the Company 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 direct purchasing. While scrap profits will be impacted immediately, retail margins may be less impacted in the short term.
- ii) While the Company's lending rates do not track gold price movements in the short term, any sustained fall in the price of gold is likely to cause lending rates to fall in the longer term thus potentially reducing future profitability.
- iii) A lower gold price may reduce the attractiveness of the Company'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 and volumes.

***Financial assets***

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

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

## Ramsdens Financial Limited

### 14. Financial assets and financial liabilities (continued)

#### Liquidity risk

##### *Cash and cash equivalents*

Bank balances are held on short term / no notice terms to minimise liquidity risk.

##### *Trade and other payables*

Trade and other payables are non-interest bearing and are normally settled on up to 60 day terms, see note 18.

##### *Borrowings*

The maturity analysis of the cash flows from the Company's borrowing arrangements that expose the Company to liquidity risk are as follows:

	2019 £'000	2018 £'000
Bank borrowings	5,183	1,875
Total	5,183	1,875
Amount repayable		
In one year or less	5,183	1,875
In more than one year but no more than two years	-	-
In more than two years but no more than five years	-	-
	5,183	1,875

The interest charged on bank borrowings is based on a fixed percentage above LIBOR. There is therefore a cash flow risk should there be any upward movement in LIBOR rates. Assuming the £10million revolving credit facility was fully utilised then a 1% increase in the LIBOR rate would increase finance costs by £100,000 pre-tax and reduce post-tax profits by £81,000.

Derivative financial instruments comprises of an interest rate swap facility that matured in October 2018. The movement in this liability is shown as a gain on fair value of derivative financial liability in the statement of comprehensive income. For the year ended 31 March 2019 the gain was £40,000 (2018: £79,000)

Liabilities from financing activities include bank borrowings and obligations under finance leases. Bank borrowings at 31 March 2018 were all repaid during the year and the balance at 31 March 2019 was drawn during the year. The obligations under finance leases at 31 March 2018 which were due within one year have all been paid in the year with the remaining £1,000 which was due in greater than one year now included as a liability within a year at 31 March 2019. Amounts repaid in the year are shown in the statement of cash flows.

### 15. Inventories

	2019 £'000	2018 £'000
New and pre-owned inventory for resale (at lower of cost or net realisable value)	12,658	7,567



## Ramsdens Financial Limited

### 16. Trade and other receivables

	2019	2018
	£'000	£'000
Pawnbroking loans	7,643	6,431
Pawnbroking loans in the course of realisation	-	1,965
Pawnbroking accrued income	1,669	1,025
Trade receivables	615	495
Other receivables	17	14
Prepayments and accrued income	948	649
	<u>10,892</u>	<u>10,579</u>

### 17. Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash and cash equivalents	13,413	14,592

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits.

Further details on financial instruments, including the associated risks to the Company and allowances for bad and doubtful debts and fair values is provided in note 14.

### 18. Trade and other payables (current)

	2019	2018
	£'000	£'000
Trade payables	4,215	4,993
Other payables	421	334
Amounts owed to group undertakings	3,694	3,477
Income tax liabilities	660	619
Other taxes and social security	196	181
Accruals	1,054	988
Deferred income	482	291
Bank borrowings	5,183	1,875
Obligations under finance leases (note 11)	1	8
	<u>15,906</u>	<u>12,766</u>

£257,000 of the deferred income balance at 31 March 2018 has been recognised in the Statement of Comprehensive Income in the current year.

Terms and conditions of the above financial liabilities:

- Trade and other payables are non-interest bearing and are normally settled on up to 60 day terms

For explanations on the Company's liquidity risk management processes, refer to Note 14.

## Ramsdens Financial Limited

### 18. Trade and other payables (current) (continued)

#### Bank Borrowings

The RCF facility was renewed during the year with an increase in facility size from £7m to £10m and an increase in term for a further 3 years. Details of the facility are as follows:

Key Term	Description
Facility	Revolving Credit Facility with Clydesdale Bank Plc (trading as Yorkshire Bank)
Total facility size	£10m
Termination date	March 2022
Utilisation	The £10m facility is available subject to the ratio of cash at bank in hand (inclusive of currency balances) to the RCF borrowing exceeding 1.5 as stipulated in the banking agreement
Interest	Interest is charged on the amount drawn down at 2.4% above LIBOR rate when the initial drawdown is made and for unutilised funds interest is charged at 0.84% from the date when the facility was made available. The LIBOR rate is reset to the prevailing rate at every interest period which is typically between one and three months.
Interest Payable	Interest is payable at the end of a drawdown period which is typically between one and three months.
Repayments	The facility can be repaid at any point during its term and re-borrowed.
Security	The facility is secured by a debenture over all the assets of Ramsdens Financial Ltd and cross guarantees and debentures have been given by Ramsdens Group Limited and Ramsdens Holdings PLC.
Undrawn facilities	At 31 March 2019 the Company had available £4.7m of undrawn committed facilities.

#### Finance lease and hire purchase commitments

The Company has finance leases and hire purchase contracts for one motor vehicle. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments at 31 March 2019 is £1,000 (2018: £9,000)

### 19. Non-current liabilities

	2019 £'000	2018 £'000
Obligations under finance leases (note 11)	-	1
Accruals	453	265
Deferred income	-	35
Derivative financial instruments (note 14)	-	40
Deferred tax (note 9)	121	82
	<u>574</u>	<u>423</u>

## 20. Issued capital and reserves

Ordinary shares issued and fully paid	No.	£'000
Ordinary shares of £0.01 each	99,649	1
At 31 March 2018 & 31 March 2019	99,649	1

### Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings.

## 21. Dividends

Dividends paid during the year totalled £2,300,000 (2018: £2,000,000).

## 22. Pensions

The Company operates a defined contribution scheme for its directors and employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The outstanding pension contributions at 31 March 2019 are £35,000 (2018: £16,000).

## 23. Commitments and contingencies

### Operating lease commitments — Company as lessee

At the date of the statement of financial position, the Company had outstanding commitments for future minimum rentals payable under non-cancellable operating leases, which fall due as follows:

Land and buildings	2019 £'000	2018 £'000
Within one year	2,634	2,368
After one year but not more than five years	6,659	6,566
More than five years	2,743	1,673
	<u>12,036</u>	<u>10,607</u>
Other	2019 £'000	2018 £'000
Within one year	89	61
After one year but not more than five years	130	36
More than five years	-	-
	<u>219</u>	<u>97</u>

Significant operating lease payments represent rentals payable by the Company for rental of store premises. Leases are normally renegotiated for an average term of 10 years at the then prevailing market rate, with a break option after 5 years. Break clauses are ignored in the above calculations.

## Ramsdens Financial Limited

### 24. Related party disclosures

#### *Ultimate controlling party*

The Company's ultimate parent is Ramsdens Holdings PLC. Ramsdens Financial Limited financial statements are consolidated into Ramsdens Holdings PLC. Copies of Ramsdens Holdings PLC financial statements can be obtained from Companies House in Cardiff.

#### *Transactions with related parties*

Funds were advanced from Ramsdens Holdings PLC throughout the current year, no interest charged has been charged. The details of amounts outstanding at the beginning and end of each financial year together with the maximum outstanding during the year are as follows:

	2019	2018
	£'000	£'000
Amount outstanding at beginning of year	(3,477)	(1,817)
Amount outstanding at end of the year	(3,694)	(3,477)
Maximum outstanding during the year	(3,694)	(3,477)

#### *Transactions with key management personnel*

The remuneration of the Directors of the Company, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in the Companies Act:

	2019	2018
	£'000	£'000
Short term employee benefits	234	291
Post-employment benefits	53	18
Share based payments	16	42
	<u>303</u>	<u>351</u>

### 25. Share based payments

The Company operates a Long-term Incentive Plan (LTIP). The charge for the year in respect of the scheme was:

	2019	2018
	£'000	£'000
LTIP	123	83

The LTIP is a discretionary share incentive scheme under which the Remuneration Committee of Ramsdens Holdings PLC can grant options to purchase ordinary shares at nominal 1p per share cost to Executive Directors and other senior management. The LTIP commenced in March 2017, details were as follows:

	Number of conditional Shares	Weighted average exercise price in pence
Outstanding at the beginning of the year	805,554	-
Granted during the year	220,000	-
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at the end of the year	<u>1,025,554</u>	<u>-</u>

## 25. Share based payments (continued)

The options vest according to the achievement against two criteria

Total Shareholder Return – TSR – 50% of options awarded

Earnings per Share - EPS – 50% of options awarded

The Fair value of services received in return for share options granted is based on the fair value of share options granted and are measured using the Monte Carlo method for TSR performance condition as this is classified as a market condition under IFRS 2 and using the Black Scholes method for the EPS performance condition which is classified as a non- market condition under IFRS 2. The fair values have been computed by an external specialist and the key inputs to the valuation model were:

	TSR Condition	EPS Condition	TSR Condition	EPS Condition
Model	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes
Grant Date	02/07/2018	02/07/2018	13/03/2017	13/03/2017
Share Price	£1.75	£1.75	£1.06	£1.06
Exercise Price	£0.01	£0.01	£0.01	£0.01
Vesting period	2.75 years	2.75 years	3.05 years	3.05 years
Risk Free return	0.7%	0.7%	0.2%	0.2%
Volatility	30.0%	30.0%	27.0%	27.0%
Dividend Yield	4.0%	4.0%	7.5%	7.5%
Fair value of Option (£)	0.46	1.56	0.39	0.81

Early exercise of the options is permitted if a share award holder ceases to be employed by reason of death, injury, disability, or sale of the Company. The maximum term of the share options is 10 years.

## 26. Post Balance Sheet Events

As announced, on 28 May 2019, The Company has purchased 12 Loan books and 4 stores, from Instant Cash Loans Limited trading as The Money Shop, for a total consideration of £0.5m which has been settled in cash. The purchase included the acquisition of £0.3m of pawnbroking loan book.