21 May 2019

Halfords Group plc
Preliminary Results: Financial Year 2019

Halfords Group plc, the UK's leading provider of motoring and cycling products and services, today announces its preliminary results for the 52 weeks ended 29 March 2019 ("the period"). All numbers shown are before non-underlying items, unless otherwise stated.

Group Financial Summary

	FY19 £m	FY18 £m	Change	Like-for-Like Revenue* ("LFL")
Revenue	1,138.6	1,135.1	+0.3%	+1.1%
Retail	*977.2*	*977.2*	-	*+0.8%*
Autocentres	*161.4*	*157.9*	*+2.2%*	*+2.6%*
Gross Margin	50.9%	50.2%	+70 bps	
Retail	*48.0%*	*47.4%*	*+60 bps*	
Autocentres	*68.0%*	*67.5%*	*+50 bps*	
Underlying EBITDA*	98.2	109.5	-10.3%	
Underlying Profit Before Tax*	58.8	71.6	-17.9%	
Underlying Basic Earnings Per Share*	24.5p	29.6p	-17.2%	
Profit Before Tax	51.0	67.1	-24.0%	
Basic Earnings Per Share	21.2p	27.8p	-23.7%	
Proposed Full-Year Ordinary Dividend Per Share	18.57p	18.03p	+3.0%	

** Alternative performance measures are defined and reconciled to IFRS amounts in the glossary on page 14*

Sales growth despite a tough retail back drop and unseasonal weather

- Total Group revenue +1.1% on a LFL basis
- Retail performance in the year was impacted by extremely mild winter temperatures, boosting Cycling performance, up +2.6% LFL, but adversely affecting Motoring which, as a result, was down -0.4% on a LFL basis
- Strong overall Q4 performance, despite tough comparators; Cycling at +12.4% LFL growth more than offset -5.4% LFL decline in Motoring
- Autocentres performed strongly across the year, with LFL sales +2.6% reflecting good growth in servicing, tyres and MOTs
- Group online sales, which represent 20% of total Group sales, grew +9.5%, with 83% of Halfords.com orders being collected in store
- Group service-related sales account for 24% of total Group sales, with both fitting income and number of jobs completed in growth year-on-year

Profit in line with guidance; Free Cash Flow supports full-year dividend

- Gross margin improved year-on-year and Group operating costs were tightly controlled in H2
- Autocentres EBIT increased significantly, by 34.1% to £5.5m. A clear focus on the operating model, along with good revenue growth and tight cost control, led Autocentres to a second year of profit growth
- Underlying Profit Before Tax of £58.8m was a reduction of £12.8m on last year. The decline was driven by a lower motoring sales mix year-on-year, due to mild winter temperatures, weakened consumer confidence in the run up to Christmas, retail inflation and investment in strategic projects
- The Group continues to be strongly cash generative, with Free Cash Flow of £42.7m, up £1.2m year-on-year
- Continued focus on working capital improvement; group inventory was down £11.9m year-on-year
- Net debt at £81.8m was £6.0m down year-on-year. Net Debt to Underlying EBITDA 0.8 times (FY18: 0.8 times)
- Proposed final dividend payment of 12.39 pence, which takes the full-year ordinary dividend to 18.57 pence, up 3.0% year-on-year

Outlook FY20

We continue to anticipate FY20 profit before tax to be broadly in line with FY19**.** Our view assumes average weather conditions across the year and a consumer and economic outlook in line with that experienced during the second half of FY19.

The current economic environment and consumer confidence continues to remain challenging. As a business we are continuing therefore to put greater emphasis on improving our cost base and maximising efficiencies across the Group. This change in emphasis will be key to underpinning profit growth in FY21.

We continue to believe our customer strategy is the right direction for the long-term sustainability of our business. The delivery of this plan is likely to take longer than we expected as we adapt the plan to the current environment. Capital investment is likely to be c.£35m, which is slightly below the £40m to £60m guidance for FY20, while revenue investment will be self-funded via rigorous cost-efficiency programmes. We remain confident in our ability to generate consistent levels of Free Cash Flow which, for FY20, will be underpinned by working capital efficiencies.

Graham Stapleton, Chief Executive Officer, commented:

"Halfords Group has delivered sales and Free Cash Flow growth in what remains a challenging UK consumer environment.

While motoring continued to be impacted by extremely mild weather conditions, we are pleased to have seen continued and sustained growth in cycling, underpinned by improvement in our exclusive own brand ranges.

Autocentres continued to perform well throughout the year, with strong sales growth, margin improvement year-on-year and good cost control. This focus led to a second year of profit growth within the business.

Since launching our new strategy, we have seen encouraging early progress. As we strengthen our unique services proposition, customers are responding positively, and we are particularly pleased that nearly a quarter of all Halfords sales are now service related.

Consumer confidence remains fragile; however, we remain confident that the strength of our customer offer, our people, our strategy and clear focus on our medium-term financial targets leave us well-placed for long-term sustainable growth."

Performance across the year

	26 weeks ended 28 September 2018 % change	14 weeks ended 4 January 2019 % change	12 weeks ended 29 March 2019 % change	Full-year ended 29 March 2019 FY19 % change
TOTAL REVENUE				
Halfords Group	**+1.9**	**-2.0**	**-0.8**	**+0.3**
Retail	+1.7	-2.5	-1.6	-
Autocentres	+3.1	+1.9	+2.8	+2.2
LFL REVENUE				
Halfords Group	**+2.5**	**-1.7**	**+0.5**	**+1.1**
Retail	+2.3	-2.2	+0.2	+0.8
Motoring	+3.3	-3.4	-5.4	-0.4
Car Maintenance	+4.5	-4.6	-6.7	-1.1
Car Enhancement	+1.1	-2.7	-1.2	-0.6
Travel Solutions	+4.0	+0.2	-7.5	+1.7
Cycling	+1.0	-0.3	+12.4	+2.6
Autocentres	+3.3	+1.4	+2.2	+2.6

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Financial Guidance reference

For ease of navigation, the following lists the references to financial guidance contained in this statement:

Description	**Page reference**
FY20 outlook	Page 6
Medium-term capital expenditure	Page 7
FY21 guidance	Page 7
FY19 Profit Before Tax	Page 8
FY19 tax rate	Page 11
FY19 capital expenditure	Page 12
FY19 depreciation and amortisation	Page 12
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Results Presentation

A presentation for analysts and investors will be held today starting at 10.00am at ETC Venues St Pauls, 200 Aldersgate, London, EC1A 4HD. Attendance is by invitation only. A live webcast of the presentation will be available at www.halfordscompany.com.

Forthcoming Newsflow

On 4th September 2019 we will report on sales for the 20 weeks to 16th August 2019, followed by the interim results on the 7th November 2019, where we will report on the 26 weeks ending 27th September 2019.

Notes to Editors

www.halfords.com	www.halfordscompany.com	www.halfordsautocentres.com
www.cyclerepublic.com	www.boardmanbikes.com	www.tredz.co.uk

Halfords is the UK's leading provider of motoring and cycling products and services. Customers shop at 451 Halfords stores, 26 Performance Cycling stores (trading as Cycle Republic, Tredz, Boardman and Giant) and 317 garages (trading as Halfords Autocentres). Customers can also shop at halfords.com, cyclerepublic.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfordsautocentres.com.

Cautionary Statement

This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Halfords Group plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Chief Executive's Statement

Summary of Group Results

Group revenue of £1,138.6m was up 0.3%, with like-for-like ("LFL") sales growth of +1.1%, despite a challenging consumer environment.

Gross profit improved in the year, up 1.5%, with a 70bps improvement year-on-year in gross margin. The improvement reflected several factors including a positive FX tailwind, stock loss improvements and a continued focus on buying efficiencies. These were partially offset by softer motoring sales growth in the year.

Group operating costs increased by 4.3% in the year, with Retail costs up 5.0% and Autocentres costs up 1.7%. The year-on-year movement principally reflected inflationary increases, a number of one-off costs in the first half and strategic investment for the future growth and sustainability of the business. These costs were partially offset by the reduction in incentive payments year-on-year. Costs within H2 were well controlled, with Retail costs up 2.0%, an improvement against the 3.0% guidance provided at the Interims.

Underlying Profit Before Tax of £58.8m was a decline of £12.8m on last year. The decline was driven by a lower motoring mix year-on-year due to mild winter temperatures, weakened consumer confidence in the run up to Christmas, retail cost inflation and investment in strategic projects. Profit before Tax of £51.0m was -24.0% down year-on-year. Basic Earnings Per Share were 21.2p, down 23.7% year-on-year. Profit after tax for the year was £41.9m, down -23.4% year-on-year.

Cash generation remained strong, with Free Cash Flow of £42.7m, up £1.2m on last year. Despite unseasonal weather and "Brexit" related challenges, the Group reduced stock holding by £11.9m in the year through effective inventory management. Net debt of £81.8m at the end of the period was £6.0m lower than the prior year end. Net debt to Underlying EBITDA at the period end was 0.8:1 on a rolling 12-month basis (FY18: 0.8 times).

The Board has proposed a final ordinary dividend of 12.39 pence per share (FY18:12.03 pence) which would take the full-year ordinary dividend to 18.57 pence per share, an increase of 3.0% on the prior year. If approved, this will be paid on 30 August 2019 to shareholders on the register at the close of business on 26 July 2019.

Operational Review

In Retail, sales were £977.2m, which were +0.8% up on an LFL basis. Cycling sales increased by +2.6% on a LFL basis, reflecting strong growth in our own brand and exclusive range of electric bikes and parts, accessories and clothing ("PACs"). Motoring LFL sales declined by -0.4% in the year, impacted by extremely mild winter temperatures. Bulbs, blades and batteries ("3Bs") and associated winter products were in LFL decline.

Despite tough comparators, Retail delivered positive LFL growth in Q4. Cycling performance, at +12.4% LFL, more than offset the decline in Motoring performance of -5.4% LFL. Temperatures on average were 70% milder in the quarter versus last year.

Sales of electric bikes continued to perform well in the year, highlighting the strength of our own brand and exclusive brand propositions. Electric bikes now account for 11% of total bike sales across the group and have grown 47.2% on a LFL basis. We continue to inspire our customers by further strengthening our cycling specialist credentials via agreements with Brompton and Scott (exclusive to Cycle Republic) to sell their products across the Halfords Group, as well as an exclusive deal with G-tech.

Retail gross margin increased by 60 bps in the period. The improvement reflected several factors including a positive FX tailwind, stock loss improvements and a continued focus on buying efficiencies. These benefits were partially offset by the negative motoring mix year-on-year and increased price investment in branded products, driven by market competitiveness.

Retail operating costs increased by 5.0% to £410.5m. Retail cost growth in H2 was well controlled at 2.0%, an improvement against the 3.0% guidance given in our Interim statement. The full-year cost increase primarily comprised the following: 1) inflationary impacts and a number of one-off costs in the first half and 2) strategic investment for the future growth and sustainability of the business. These costs were partially offset by a reduction in incentive payments year-on-year.

During the period we opened three Cycle Republic stores, a Boardman "Wind Tunnel" Performance Centre, two Autocentres and rolled out two more mobile vans, extending our Halfords Mobile Expert trial to three cities. We closed six Halfords Retail stores, a Tredz concession store and one Autocentre.

Total Autocentres revenues were up +2.6% on a LFL basis, reflecting strong growth in sales of servicing, tyres and MOT. The strong progress of the Autocentres transformation plan continued into H2, delivering tangible benefits. EBIT increased significantly by 34.1% to £5.5m in the year. A clear focus on the operating model, along with good revenue growth and tight cost control, led Autocentres to a second year of profit growth.

Group service-related sales, which consist of the revenue generated from paid fitting and repair services plus the associated product attached to the transaction, continue to be in growth in the year. The number of service jobs completed increased by 4.0% in the period, with service-related sales now accounting for 24% of the overall Group sales.

In Retail, 42% of 3B's sold ("penetration") were fitted to customers' cars by our colleagues. Despite a decline in 3Bs product sales, due to an extremely mild winter, penetration was up 40 bps year-on-year. This continues to reflect the increasing relevance of our services proposition to the growing proportion of 'do-it-for-me' customers. The number of on-demand services available in retail stores increased to 80 in the year (vs 30 services in FY17), with the trial of on-demand services delivering promising results in Autocentres.

Sales through financial services, through a strengthened customer offer, grew 30% year-on-year with financial services now representing 5% of total group sales.

Group online sales were up +9.5% in the period, with 20% of our total Group sales now being delivered through our online platform. The importance of our store network and service overlay continues to be highlighted by the strength of our click & collect proposition, with around 83% of Halfords.com online orders being collected in store.

The continued investment in understanding our customer means the Group can now match 75% of its total customer transactions. The number of customers shopping across the Group has increased by 7.2% year-on-year, accelerated by the "Free MOT" promotion earlier in the year.

Investment in our colleagues has remained paramount during the year, from capability building within the executive team through to investment in our store colleagues to ensure they have the right training to support our customers. Halfords came 15th in the Sunday Times Best Big Companies To Work For survey.

In response to the increasing relevance of electric and hybrid motoring technology, over 500 Autocentre technicians have been accredited to the Institute of Motor Industry (IMI) Level 2. Autocentres were also awarded the Garage Chain of the Year award by CAT (Car and Accessory Trader) in March 2019.

Summary and Outlook

In summary, despite a challenging UK consumer environment, the group delivered like-for-like sales growth in both Retail and Autocentres and continues to make positive progress against the new strategy.

Autocentres delivered a second year of profit growth, with continued focus on the operating model, as well as good revenue growth and tight cost control.

Group operating costs were well controlled in the second half of the year and the continued focus on working capital efficiencies drove a £11.9m reduction in Group stock year-on-year. The group continued to be cash generative with Free Cash Flow of £42.7m up £1.2m year-on-year, which supports the final dividend payment of 12.39p in the year (FY dividend payment:18.57p, +3% year-on-year).

The Group reconfirms its guidance on FY20 Profit Before Tax to be broadly in line with FY19. Our view assumes average weather conditions across the year and a consumer and economic outlook broadly similar to that experienced during the second half of FY19. We remain confident in our ability to generate consistent levels of Free Cash Flow which, for FY20, will be underpinned primarily by working capital efficiencies.

Specifically, whilst we remain confident in the long-term growth prospects for the cycling market, we expect short-term underlying economic conditions to continue to be challenging. Even though Q2 and Q4 this year saw a strong performance driven by the weather, cycling continues to be a discretionary, big ticket category and is not immune to consumer uncertainty. Unsurprisingly, bike volumes overall have been subdued across the market in FY19. While Motoring tends to be a more resilient category, key product areas are impacted by weather extremes. A more normalised weather pattern should see a strengthening of winter category sales but, for big ticket, discretionary items, sales remain vulnerable to consumer confidence.

Given the economic backdrop, we expect underlying sales growth to be muted in FY20. Although it is still early in the delivery of our strategic transformation, we believe that progress in visible customer initiatives, such as a strengthened financial services offering, will deliver a modest boost to sales. Underlying operating cost growth in FY20 will reflect inflation, employment costs in relation to changes in case law and an increase in incentive costs year-on-year. Any increase in costs driven by strategic investment in FY20 will be self-funded through rigorous cost efficiency plans, such as GNFR and GFR programmes. Despite the factors driving the underlying cost increase, we expect cost growth overall in FY20 to be lower than FY19.

As already noted, the current economic environment and consumer confidence continues to remain challenging. As a business we are having to respond accordingly by continuing to put greater emphasis on improving our cost base and maximising efficiencies across the Group. The emphasis on cost and efficiency will continue to be a key priority for FY20, and within the current economic environment is key to underpinning profit growth in FY21.

We continue to believe our customer strategy to be the right direction for the long-term sustainability of our business but, the delivery is likely to take longer than we expected as we adapt the plan to the current environment. Capital investment is likely to be c.£35m, which is slightly below the £40m to £60m guidance for FY20. Revenue investment will be self-funded via rigorous cost-efficiency programmes.

Current trading for the 7 weeks ending 17th May 2019, which includes Easter, remains in line with expectations.

The Board is confident that the customer strategy remains right for the long-term sustainability of the business and that near-term performance is robust and underpinned by cost savings and working capital opportunities.

Graham Stapleton
Chief Executive Officer, May 2019
Halfords Group plc's LEI code is 54930086FKBWWJIOB1

Chief Financial Officer's Report

Halfords Group plc ("the Group" or "Group")

Reportable Segments

Halfords Group operates through two reportable business segments:

- Retail, operating in both the UK and Republic of Ireland; and
- Autocentres, operating solely in the UK.

All references to Retail represent the consolidation of the Halfords ("Halfords Retail") and Cycle Republic businesses, Boardman Bikes Limited and Boardman International Limited (together, "Boardman Bikes"), and Performance Cycling Limited (together, "Tredz and Wheelies") trading entities. All references to Group represent the consolidation of the Retail and Autocentres segments.

The "FY19" accounting period represents trading for the 52 weeks to 29 March 2019 ("the financial year"). The comparative period "FY18" represents trading for the 52 weeks to 30 March 2018 ("the prior year").

Group Financial Results

	FY19 £m	FY18 £m	Change
Group Revenue	1,138.6	1,135.1	0.3%
Group Gross Profit	579.0	570.2	1.5%
Underlying EBIT*	62.2	74.6	-16.6%
Underlying EBITDA*	98.2	109.5	-10.3%
Net Finance Costs before non-underlying items	(3.4)	(3.0)	13.3%
Underlying Profit Before Tax*	**58.8**	**71.6**	**-17.9%**
Profit Before Tax	51.0	67.1	-24.0%
Underlying Basic Earnings per Share*	24.5p	29.6p	-17.2%

** Alternative performance measures are defined and reconciled to IFRS amounts in the glossary on page 14.*

Group revenue in FY19, at £1,138.6m, was up 0.3% and comprised Retail revenue of £977.2m and Autocentres revenue of £161.4m. This compared to FY18 Group revenue of £1,135.1m, which comprised Retail revenue of £977.2m and Autocentres revenue of £157.9m. Group gross profit at £579.0m (FY18: £570.2m) represented 50.9% of Group revenue (FY18: 50.2%), reflecting an increase in the Retail gross margin of 60 basis points ("bps") to 48.0% and an increase in the Autocentres gross margin of 50 bps to 68.0%.

Total operating costs before non-underlying items, increased to £516.8m (FY18: £495.6m) of which Retail comprised £410.5m (FY18: £391.0m), Autocentres £104.2m (FY18: £102.5m) and unallocated costs £2.1m (FY18: £2.1m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations, namely the acquisition of Autocentres in February 2010, Boardman Bikes in June 2014, and Tredz and Wheelies in May 2016, which arise on consolidation of the Group.

Group Underlying EBITDA decreased 10.3% to £98.2m (FY18: £109.5m), whilst net finance costs before non-underlying items were £3.4m (FY18: £3.0m).

Underlying Profit Before Tax for the year was down 17.9% at £58.8m (FY18: £71.6m). Net non-underlying items of £7.8m in the year (FY18: £4.5m) related predominantly to organisational restructure and strategy review costs. Group Profit Before Tax was £51.0m (FY18: £67.1m).

Retail

	FY19 £m	FY18 £m	Change
Revenue	977.2	977.2	-
Gross Profit	469.3	463.6	1.2%
Gross Margin	48.0%	47.4%	
Operating Costs	(410.5)	(391.0)	5.0%
Underlying EBIT*	**58.8**	**72.6**	**-19.0%**
Non-underlying items	(8.7)	(4.8)	
EBIT	50.1	67.8	-26.1%
Underlying EBITDA*	**87.1**	**99.0**	**-12.0%**

** Alternative performance measures are defined and reconciled to IFRS amounts in the glossary on page 14.*

Revenue for the Retail business of £977.2m reflected, on a constant-currency basis, a like-for-like ("LFL") sales increase of 0.8%. Non-LFL revenue in the year included the contribution from Cycle Republic stores that have been open for less than 12 months.

Please refer to the Retail Operational Review in the Chief Executive's Statement for further commentary on the trading performance in the year. Like-for-like revenues and total sales revenue mix for the Retail business are split by category below:

	FY19 LFL (%)	FY19 Total sales mix (%)	FY18 Total sales mix (%)
Motoring	**-0.4%**	**60.4**	**61.0**
Car Maintenance	-1.1%	31.0	31.6
Car Enhancement	-0.6%	18.0	18.2
Travel Solutions	+1.7%	11.4	11.2
Cycling	**+2.6%**	**39.6**	**39.0**

Gross profit for the Retail business at £469.3m (FY18: £463.6m) represented 48.0% of sales, 60bps up on the prior year (FY18: 47.4%). This improvement reflected several factors including a positive FX tailwind, stock loss improvements and a continued focus on buying efficiencies. These were partially offset by the softer motoring sales growth in the year.

The table below shows the average exchange rate reflected in cost of sales, along with the year-on-year movement.

	FY19 full-year	FY18 full-year
Average USD: GBP rate reflected in cost of sales	$1.32	$1.29
Year-on-year movement in rate	$0.03	$(0.18)

Retail operating costs increased by 5.0% to £410.5m. The full-year cost increase comprised of the following: 1) inflationary impacts and a number one-off costs in the first half and 2) strategic investment for the future growth and sustainability of the business. These costs were partially offset by a reduction in incentive payments year-on-year.

Autocentres

	FY19 £m	FY18 £m	Change
Revenue	161.4	157.9	2.2%
Gross Profit	109.7	106.6	2.9%
Gross Margin	68.0%	67.5%	
Operating Costs	(104.2)	(102.5)	1.7%
Underlying EBIT*	**5.5**	**4.1**	**34.1%**
Non-underlying items	0.9	-	100%
EBIT	6.4	4.1	56.1%
Underlying EBITDA*	**11.1**	**10.5**	**5.7%**

** Alternative performance measures are defined and reconciled to IFRS amounts in the glossary on page 14.*

Autocentres generated total revenues of £161.4m (FY18: £157.9m), an increase of 2.2% on the prior year with a LFL* increase of 2.6%.

The sales performance reflected growth in tyres, MOT and servicing sales. Gross profit at £109.7m (FY18: £106.6m) represented a gross margin of 68.0%; an increase of 50 bps on the prior year.

Autocentres' Underlying EBITDA of £11.1m (FY18: £10.5m) was 5.7% higher than FY18, and Underlying EBIT was £1.4m (34.1%) higher than FY18 at £5.5m (FY18: £4.1m).

Portfolio Management

The Retail store portfolio at 29 March 2019 comprised 477 stores (end of FY18: 480). The following table outlines the changes in the Retail store portfolio over the year:

	Number
Relocations	2
Leases re-negotiated	19
Rightsized	0
Openings	3
Closed	7

The focus in year was on re-laying stores to enhance the space allocated to growing categories rather than on refreshing the Retail store environment.

Two Autocentres were opened in the year and one was closed, taking the total number of Autocentre locations to 317 as at 29 March 2019 (end of FY18: 316). 8 Autocentres were refreshed in the year (FY18: 6).

With the exception of eight long leasehold and two freehold properties within Autocentres, the Group's operating sites are occupied under operating leases, the majority of which are on standard lease terms, typically with a 5 to 15-year term at inception and with an average lease length of just less than 6 years.

Net Non-Underlying items

The following table outlines the components of the non-underlying items recognised in the year:

	FY19 £m	FY18 £m
Organisational restructure costs	6.8	4.3
Group-wide strategic review	2.4	-
One-off royalty income	(1.6)	-
Acquisition and investment-related fees	0.2	0.2
Autocentres operational review	-	0.6
Operating lease obligation	-	(0.3)
Net non-underlying operating costs	**7.8**	**4.8**
Acquisition-related interest (credit)/charge	-	(0.3)
Net non-underlying items	**7.8**	**4.5**

In the current and prior year, separate and unrelated organisational restructuring activities were undertaken. These comprised:

- Redundancy costs of £1.5m relating to roles which will not be replaced; and
- £5.3m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites.

Costs in the prior period comprised:

- Redundancy costs of £0.7m relating to roles which will not be replaced;
- £1.0m provision for compensation to the new CEO on joining for foregoing entitlements from a previous employer, as outlined at the time of announcement of his appointment;
- £1.5m in relation to a restructure of the Boardman business. Boardman has stopped selling directly to customers through the Boardman website. The website will be maintained as a 'brand' website, with customers being directed to purchase bikes predominantly through Cycle Republic; and
- £1.1m in relation to asset write-offs, principally resulting from the decision to close the marketplace offer on Halfords.com.

Costs of £2.4m were incurred in the current period in relation to the costs of preparing the new Group strategy, which comprised of the following:

- £2.0m of external consultant costs; and
- £0.4m warehouse and distribution costs in order to align our network with the new strategy.

A one-off royalty income of £1.6m was received in the current period in relation to the use of a software licence.

Explanations of the remaining non-underlying items are included in Note 4 to the financial statements later in this report.

Finance Expense

The net finance expense (before non-underlying items) for the year was £3.4m (FY18: £3.0m). The interest costs on bank borrowings have increased since the previous year, reflecting an increase in the Bank of England base rate.

Taxation

The taxation charge on profit for the financial year was £9.1m (FY18: £12.4m), including a £1.4m credit (FY18: £0.8m credit) in respect of non-underlying items. The effective tax rate of 17.8% (FY18: 18.5%) differs from the UK corporation tax rate (19%) as a result of the effects of non-deductible depreciation charged on capital expenditure, the impact of accounting for employee share options and adjustments in respect of prior years.

Earnings Per Share ("EPS")

Underlying Basic EPS was 24.5 pence and Basic EPS was 21.2 pence (FY18: Underlying Basic EPS was 29.6 pence, Basic EPS was 27.8 pence), a 17.2% and 23.7% decrease respectively on the prior year. Basic weighted-average shares in issue during the year were 197.1m (FY18: 197.0m).

Dividend ("DPS")

The Board has proposed a final dividend of 12.39 pence per share (FY18: 12.03 pence), taking the full-year ordinary dividend to 18.57 pence per share, an increase of 3%. If approved, the final dividend will be paid on 30 August 2019 to shareholders on the register at the close of business on 26 July 2019.

Capital Expenditure and Investments

Capital investment in the year totalled £31.0m (FY18: £37.3m) comprising £26.3m in Retail and £4.7m in Autocentres.

Within Retail, £11.4m (FY18: £12.8m) was invested in stores, including store relocations and re-organisation, and the opening of three Cycle Republic stores. Additional investments in Retail infrastructure included a £10.5m investment in IT systems, including development of the till hardware and a software upgrade. The balance of £4.4m was invested in warehousing and logistics upgrades and Tredz & Wheelies.

The £4.7m (FY18: £7.0m) capital expenditure in Autocentres principally related to the replacement of garage equipment and fixtures and fittings, the development of new till hardware and software and the growth of Halfords Mobile Expert.

On a cash basis, total capital expenditure in the year was £29.4m (FY18: £37.0m).

The investment held in Tyres On The Drive of £8.1m was derecognised during the year and accounted through the Statement of Other Comprehensive Income.

Inventories

Group inventory held at the year-end was £185.4m (FY18: £195.5m). Retail inventory decreased to £184.0m (FY18: £194.1m), reflecting working capital efficiencies.

Autocentres' inventory was £1.4m (FY18: £1.4m). The Autocentres business model is such that only modest levels of inventory are held within the Centres, with most parts being acquired on an as-needed basis.

Cashflow and Borrowings

Adjusted Operating Cash Flow was £88.5m (FY18: £95.4m). After taxation, capital expenditure and net finance costs, Free Cash Flow of £42.7m (FY18: £41.5m) was generated in the year. Group Net Debt was £81.8m (FY18: £87.8m), with the Underlying EBITDA ratio at 0.8:1.

Brexit and impact of movements in foreign currency exchange rates

At the date of finalising this report there is considerable uncertainty as to how, or even whether, the UK will exit from the EU. There is corresponding uncertainty around the impact on Halfords.

1) Impact on exchange rates. The Group buys a significant proportion of its goods in US dollars; between $200m and $300m a year. As previously guided, the majority of our US dollar sourcing is for cycling products.

2) Prolonged uncertainty over exit terms and continued weakness in Sterling could lead to a slowdown in the UK economy and, consequently, a further weakening of consumer confidence, impacting trading conditions for the Group. Working groups have been held throughout the year to identify, assess and implement mitigations for the risks of a hard Brexit. However, Halfords has strong positions in fragmented Motoring and Cycling markets, and a service-led offer that differentiates us from our competitors, both physical and online.

Principal Risks and Uncertainties

The Board considers the assessment of risk assessment and the identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report and Accounts, the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described in the Strategic Report of the 2019 Annual Report and Accounts. These include:

- Business Strategy
    - Capability and capacity to effect significant levels of business change

    - Stakeholder support and confidence in the strategy
    - The delivery of a sustainable business model
- Product, Service Quality and Brand Reputation
    - Brand appeal and market share
    - Service Quality
    - Critical physical infrastructure failure (including supply chain disruption)
- Information Technology Systems and Infrastructure
    - Cyber and data security
    - IT Infrastructure failure
- People
    - Skills shortage
    - Staff engagement / culture
- Economic, Environmental and Political
    - Change in government policy or regulation
    - Brexit

Specific risks associated with performance include Christmas trading as well as weather-sensitive sales, particularly within the Car Maintenance and Cycling categories in the Retail business.

Loraine Woodhouse
Chief Financial Officer, 21 May 2019

Halfords Group plc's LEI code is 54930086FKBWWJIOB179

Glossary of Alternative Performance Measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"), previously termed as 'Non-GAAP measures'. APMs should be considered in addition to IFRS measurements, of which some are shown on page 15. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

1. Like-for-like ("LFL") sales represent revenues from stores, centres and websites that have been trading for at least a year (but excluding prior year sales of stores and centres closed during the year) at constant foreign exchange rates.
2. Underlying EBIT is results from operating activities before non-underlying items as shown in the Group Income Statement on page 15. Underlying EBITDA further removes depreciation and amortisation.
3. Underlying Profit Before Tax is Profit before income tax and non-underlying items as shown in the Group Income Statement on page 15.
4. Underlying Earnings Per Share is Profit after income tax before non-underlying items as shown in the Group Income Statement on page 15, divided by the number of shares in issue.
5. Net Debt is current and non-current borrowings less cash and cash equivalents, both in-hand and at bank, as shown in the Consolidated Statement of Financial Position on page 17; as reconciled below.

	FY19 £m	FY18 £m
Cash and cash equivalents	9.8	27.0
Borrowings – current	(18.5)	(20.8)
Borrowings – non-current	(73.1)	(94.0)
Net Debt	**(81.8)**	**(87.8)**

6. Net Debt to Underlying EBITDA ratio is represented by the ratio of Net Debt to Underlying EBITDA (both of which are defined above).
7. Adjusted Operating Cash Flow is defined as EBITDA plus share based payment transactions and loss on disposal of property, plant and equipment, less working capital movements and movement in provisions; as reconciled below.

	FY19 £m	FY18 £m
Operating Profit (Underlying EBIT)	62.2	74.6
Depreciation & amortisation	36.0	34.9
Underlying EBITDA	98.2	109.5
Non-underlying operating expenses	(7.8)	(4.8)
EBITDA	90.4	104.7
Share based payment transactions	0.3	0.4
Loss on disposal of property, plant & equipment and intangibles	5.5	4.1
Working capital movements	(10.4)	(12.6)
Provisions movement and other	2.7	(1.2)
Adjusted Operating Cash Flow	**88.5**	**95.4**

8. Free Cash Flow is defined as Adjusted Operating Cash Flow (as defined above) less capital expenditure, net finance costs, taxation, exchange movement and arrangement fees on loans; as reconciled below.

	FY19 £m	FY18 £m
Adjusted Operating Cash Flow	88.5	95.4
Capital expenditure	(29.4)	(37.0)
Net finance costs	(3.1)	(1.9)
Taxation	(12.7)	(16.1)
Exchange movement	(0.3)	1.9
Arrangement fees on loans	(0.3)	(0.8)
Free Cash Flow	**42.7**	**41.5**

Halfords Group plc

Consolidated income statement

For the period	Notes	52 weeks to 29 March 2019 Before non-underlying items £m	Non-underlying items (Note 4) £m	Total £m	52 weeks to 30 March 2018 Before non-underlying items £m	Non-underlying items (Note 4) £m	Total £m
Revenue		**1,138.6**	**-**	**1,138.6**	1,135.1	-	1,135.1
Cost of sales		**(559.6)**	**-**	**(559.6)**	(564.9)	-	(564.9)
Gross profit		**579.0**	**-**	**579.0**	570.2	-	570.2
Operating expenses	2	**(516.8)**	**(7.8)**	**(524.6)**	(495.6)	(4.8)	(500.4)
Results from operating activities	3	**62.2**	**(7.8)**	**54.4**	74.6	(4.8)	69.8
Finance costs	5	**(3.4)**	**-**	**(3.4)**	(3.1)	0.3	(2.8)
Finance income	5	**-**	**-**	**-**	0.1	-	0.1
Net finance expense		**(3.4)**	**-**	**(3.4)**	(3.0)	0.3	(2.7)
Profit before income tax		**58.8**	**(7.8)**	**51.0**	71.6	(4.5)	67.1
Income tax expense	6	**(10.5)**	**1.4**	**(9.1)**	(13.2)	0.8	(12.4)
Profit for the financial period attributable to equity shareholders		**48.3**	**(6.4)**	**41.9**	58.4	(3.7)	54.7
Earnings per share							
Basic	8	**24.5p**		**21.2p**	29.6p		27.8p
Diluted	8	**24.2p**		**21.0p**	29.4p		27.5p

All results relate to continuing operations of the Group.

Halfords Group plc

Consolidated statement of comprehensive income

	Notes	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Profit for the period		**41.9**	54.7
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**7.4**	(11.0)
Transfers to net profit:			
Cost of sales		**-**	1.3
Change in fair value of investment		**(8.1)**	-
Income tax on other comprehensive income	6	**-**	0.2
Other comprehensive income for the period, net of income tax		**(0.7)**	(9.5)
Total comprehensive income for the period attributable to equity shareholders		**41.2**	45.2

All items within the Consolidated Statement of Comprehensive Income are classified as items that are or may be recycled to the income statement.

Halfords Group plc

Consolidated statement of financial position

	29 March 2019 £m	30 March 2018 £m
Assets		
Non-current assets		
Intangible assets	**387.4**	393.9
Property, plant and equipment	**97.3**	101.3
Investments	**-**	8.1
Total non-current assets	**484.7**	503.3
Current assets		
Inventories	**185.4**	195.5
Trade and other receivables	**59.1**	56.0
Derivative financial instruments	**3.2**	0.3
Cash and cash equivalents	**9.8**	27.0
Total current assets	**257.5**	278.8
Total assets	**742.2**	782.1
Liabilities		
Current liabilities		
Borrowings	**(18.5)**	(20.8)
Derivative financial instruments	**(1.4)**	(5.4)
Trade and other payables	**(176.4)**	(187.0)
Current tax liabilities	**(3.3)**	(3.3)
Provisions	**(15.1)**	(11.9)
Total current liabilities	**(214.7)**	(228.4)
Net current assets	**42.8**	50.4
Non-current liabilities		
Borrowings	**(73.1)**	(94.0)
Trade and other payables	**(28.1)**	(31.2)
Deferred tax liability	**(0.1)**	(2.7)
Provisions	**(5.2)**	(3.9)
Total non-current liabilities	**(106.5)**	(131.8)
Total liabilities	**(321.2)**	(360.2)
Net assets	**421.0**	421.9
Shareholders' equity		
Share capital	**2.0**	2.0
Share premium	**151.0**	151.0
Investment in own shares	**(10.0)**	(9.4)
Other reserves	**1.9**	(2.9)
Retained earnings	**276.1**	281.2
Total equity attributable to equity holders of the Company	**421.0**	421.9

Halfords Group plc

Consolidated statement of changes in shareholders' equity

	Attributable to the equity holders of the Company						
				Other reserves			
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 31 March 2017	**2.0**	**151.0**	**(9.5)**	**0.3**	**0.3**	**263.4**	**407.5**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	54.7	**54.7**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	(11.0)	-	**(11.0)**
Transfers to inventory							
Transfers to net profit:	-	-	-	-	1.3	-	**1.3**
Cost of sales					1.7	(1.7)	**-**
Income tax on other comprehensive income	-	-	-	-	0.2	-	**0.2**
Total other comprehensive income for the period net of tax	-	-	-	-	(7.8)	(1.7)	**(9.5)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(7.8)**	**53.0**	**45.2**
Hedging gain and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	4.3	-	**4.3**
Transactions with owners							
Share options exercised							
Share-based payment transactions	-	-	0.1	-	-	-	**0.1**
Income tax on share-based payment transactions	-	-	-	-	-	(0.4)	**(0.4)**
Dividends to equity holders	-	-	-	-	-	(34.8)	**(34.8)**
Total transactions with owners	-	-	0.1	-	-	(35.2)	**(35.1)**
Balance at 30 March 2018	**2.0**	**151.0**	**(9.4)**	**0.3**	**(3.2)**	**281.2**	**421.9**

Consolidated statement of changes in shareholders' equity (continued)

	Attributable to the equity holders of the Company						
			Other reserves				
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	**Total equity £m**
Balance at 30 March 2018	**2.0**	**151.0**	**(9.4)**	**0.3**	**(3.2)**	**281.2**	**421.9**
Impact of adoption of IFRS 15	-	-	-	-	-	(3.3)	**(3.3)**
Adjusted balance at 30 March 2018	**-**	**-**	**-**	**-**	**-**	**277.9**	**418.6**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	41.9	**41.9**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	7.4	-	**7.4**
Change in fair value of investment	-	-	-	-	-	(8.1)	**(8.1)**
Income tax on other comprehensive income	-	-	-	-	-	-	**-**
Total other comprehensive income for the period net of tax	-	-	-	-	7.4	(8.1)	**(0.7)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**7.4**	**33.8**	**41.2**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	(2.6)	-	(2.6)
Transactions with owners							
Own shares acquired	-	-	(1.0)	-	-	-	**(1.0)**
Share options exercised	-	-	0.4	-	-	-	**0.4**
Share-based payment transactions	-	-	-	-	-	0.3	**0.3**
Income tax on share-based payment transactions	-	-	-	-	-	-	**-**
Dividends to equity holders	-	-	-	-	-	(35.9)	**(35.9)**
Total transactions with owners	-	-	(0.6)	-	-	(35.6)	**(36.2)**
Balance at 29 March 2019	**2.0**	**151.0**	**(10.0)**	**0.3**	**1.6**	**276.1**	**421.0**

Halfords Group plc

Consolidated statement of cash flows

	Notes	52 weeks to 29 March 2019 £m	52 weeks to 30 March 2018 £m
Cash flows from operating activities			
Profit after tax for the period, before non-underlying items		**48.3**	58.4
Non-underlying items		**(6.4)**	(3.7)
Profit after tax for the period		**41.9**	54.7
Depreciation and impairment - property, plant and equipment		**23.0**	24.0
Amortisation - intangible assets		**13.0**	10.9
Net finance costs		**3.4**	2.7
Loss on disposal of property, plant and equipment and intangibles		**5.5**	4.1
Equity-settled share based payment transactions		**0.3**	0.4
Exchange movement		**(0.3)**	1.9
Income tax expense		**9.1**	12.4
(Increase) in inventories		**11.9**	(4.4)
Decrease in trade and other receivables		**(3.1)**	2.4
(Decrease)/Increase in trade and other payables		**(19.2)**	(10.6)
(Decrease) in provisions		**2.7**	(1.4)
Finance income received		**-**	0.1
Finance costs paid		**(3.1)**	(2.0)
Income tax paid		**(12.7)**	(16.1)
Net cash from operating activities		**72.4**	79.1
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**-**	(5.1)
Purchase of investment		**(0.5)**	(3.5)
Purchase of intangible assets		**(11.0)**	(18.0)
Purchase of property, plant and equipment		**(18.4)**	(19.0)
Net cash used in investing activities		**(29.9)**	(45.6)
Cash flows from financing activities			
Net proceeds from exercise of share options and purchase of own shares		**(0.6)**	0.1
Proceeds from loans, net of transaction costs		**1,138.7**	415.2
Repayment of borrowings		**(1,159.0)**	(404.0)
Payment of finance lease liabilities		**(0.6)**	(0.6)
Dividends paid		**(35.9)**	(34.8)
Net cash used in financing activities		**(57.4)**	(24.1)
Net (decrease)/increase in cash and bank overdrafts	9	**(14.9)**	9.4
Cash and cash equivalents at the beginning of the period		**7.5**	(1.9)
Cash and cash equivalents at the end of the period	9	**(7.4)**	7.5

Cash and cash equivalents at the period end consist of £9.8m (2018: £27.0m) of liquid assets and £17.2m (2018: £19.5m) of bank overdrafts.

Halfords Group plc

Notes to the financial statements

1. General information and basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, does not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditor has reported on the Group's statutory accounts for each of the years FY18 and FY19, which did not contain any statement under s498 of the Companies Act 2006 and are unqualified. The statutory accounts for FY18 have been delivered to the Registrar of Companies and the statutory accounts for FY19 will be filed with the Registrar in due course.

The financial statements are presented in millions of UK pounds, rounded to the nearest £0.1m.

The accounts of the Group are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 29 March 2019, whilst the comparative period covered the 52 weeks to 30 March 2018.

The consolidated financial statements of Halfords Group plc and its subsidiary undertakings, together "the Group", have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis and under the historical cost convention, except where adopted IFRSs require an alternative treatment. The principal variations relate to financial instruments (IFRS 9 "Financial instruments") and share based payments (IFRS 2 "Share-based payment").

Adoption of new and revised standards

The Group has adopted IFRS 15 'Revenue from contracts with customers' with a date of initial application of 31 March 2018. IFRS 15 supersedes IAS 11 'Construction contracts', IAS 18 'Revenue' and related interpretations. The new standard establishes a five-step model to account for revenue, which is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method of adoption, with no restatement of comparatives and brought forward adjustments being made through retained earnings at the date of initial application, 31 March 2018.

The majority of the Group's sales are for standalone products made direct to customers at standard prices either in-store or online, so the majority of revenue streams are unaffected by the new standard. A summary of changes is shown below:

(a) Principal versus agent considerations

In the vast majority of cases, the Group was considered the principal in sales transactions under IFRS 15 and therefore recognised the full value of the sale within revenue, rather than netting off the costs in revenue, in line with the previous treatment under IAS 18. However, under IFRS 15 certain revenue streams within the Group were reclassified to reflect the nature of the control of the goods before they are transferred to customers and therefore showing revenue net of costs, resulting in decreased revenue and cost of sales of £1.5m in the 52 weeks to 29 March 2019 with £nil impact on profit.

(b) Commission for provision of credit finance by third parties

The Group incurs commission costs and receives commission income from third parties for providing credit finance to customers. Previously these have been shown within cost of sales. Following a review of the classification of these commissions upon implementation of IFRS 15 this has been reclassified to show revenue net of commission costs incurred and commission income received. This has resulted in decreased revenue and cost of sales of £2.5m in the 52 weeks to 29 March 2019 with £nil impact on profit.

(c) Sales return provision

Under IAS 18 the Group held a sales return provision on the statement of financial position to provide for expected levels of product returns at stock margin, which was based on past experience. IFRS 15 requires a presentational change where the amount of revenue relating to expected returns is recognised on the statement of financial position within provisions, with a corresponding adjustment to revenue, and the cost value of goods expected to be returned is recognised within inventories, with a corresponding adjustment to cost of sales. The revenue recognition policy on returns has been updated to illustrate this new classification. The net adjustment on adoption is a £1.7m increase to the value of inventories and provisions. During the period there was a £0.1m increase in the value of the right to recover returned goods and a £0.1m increase in the sales return provision, with a corresponding £0.1m decrease to cost of sales and revenue with a £nil impact on profit.

(d) Product warranties

Revenue recognition under IFRS 15 requires identification of separate performance obligations, a change to the previous approach under IAS 18. The main impact on adoption was in respect of the timing of revenue recognition of product warranties, principally for certain motoring products. Under IFRS 15, the warranty element of a product is considered a separate performance obligation, and so under the new standard a portion of the sale price is allocated to providing a warranty. This is recorded as a liability on the statement of financial position and released to revenue over the period of the warranty. The net adjustment on adoption is a £3.3m increase to liabilities, classified within trade and other payables, with the corresponding adjustment through retained earnings. There was a £0.1m charge to the income statement during the period. The split between current and non-current trade and other payables is shown in the summary table below.

A summary of the impact on the Group income statement for the 52 weeks to 29 March 2019 is shown below:

For the 52 weeks to 29 March 2019	Adjustment as described above	Balance pre adjustments £m	IFRS 15 adjustments £m	**As reported £m**
Revenue	(a), (b), (c), (d)	1,142.8	(4.2)	**1,138.6**
Cost of sales	(a), (b), (c)	(563.7)	4.1	**(559.6)**
Profit for the period attributable to equity shareholders		42.0	(0.1)	**41.9**

A summary of the impact on the Group statement of financial position as at 29 March 2019 is shown below. The impact on retained earnings comprises a brought forward adjustment on adoption of IFRS 15 of £3.3m, relating to product warranties, and the £0.1m net impact on the Group income statement during the period, as shown above.

As at 29 March 2019	Adjustment as described above	Balance pre adjustments £m	IFRS 15 adjustments £m	**As reported £m**
Current assets				
Inventories	(c)	183.6	1.8	**185.4**
Current liabilities				
Trade and other payables	(d)	(174.9)	(1.5)	**(176.4)**
Provisions	(c)	(13.3)	(1.8)	**(15.1)**
Non-current liabilities				
Trade and other payables	(d)	(26.2)	(1.9)	**(28.1)**
Net assets		424.4	(3.4)	**421.0**
Retained earnings	(d)	279.5	(3.4)	**276.1**

There was no impact on the Group statement of cash flows for the 52 weeks to 29 March 2019.

All other standards and related adoptions mandatory for the year ended 29 March 2019 either had no material impact on the result or net assets of the Group or were not applicable. A full listing will be provided in the statutory accounts.

New standards and interpretations not yet adopted

The Group will adopt the requirements of IFRS 16 "Leases" for the first time for the financial year commencing 30 March 2019. The adoption of the standard will have a material impact on the Group's primary financial statements, including impacts on operating profit, profit before tax, total assets and total liabilities.

Lessee accounting

On adoption of IFRS 16, the Group will recognise a new right-of-use asset and corresponding lease liability for each operating lease in which the Group is a lessee on its Statement of Financial Position.

The nature of expenses related to these leases in the Income Statement will change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities over the life of each lease.

The discount rates applied have been based on the incremental borrowing rate where the implicit rate in the lease is not readily available. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend or not to terminate a lease.

Transition

The Group has elected to apply the modified retrospective approach for its portfolio of leases. As a result, the lease liability will be calculated as the present value of future lease payments from the date of transition. For the majority of leases, the asset will be calculated from the lease commencement date, with the cumulative effect of adopting IFRS 16 being recognised as an adjustment to the opening balance of retained earnings at 30 March 2019, with no restatement of comparative information.

Impact of the new standard

The full impact on the Income Statement for the year ending 3 April 2020 is highly sensitive due to a number of judgements, including the treatment of properties where the current lease term has either already expired or is due to expire in the year ending 3 April 2020, but where the Group remains in negotiation with the landlord for potential renewal. Whilst it is likely that a new lease will be entered into in this scenario, it is subject to uncertainty as to the timing and details of such transactions and therefore it is not possible to predict the impact at this time.

In order to estimate the impact on the Group's opening Statement of Financial Position for the year ending 3 April 2020, the lease portfolio at transition date has been used, which would result in an adjustment for right-of-use assets in the region of £400m, with corresponding lease liabilities in the region of £450m.

Net profit before tax for the year ending 3 April 2020 would move by a low digit £m figure as the pre-IFRS 16 rental charge is replaced by depreciation and interest. As previously stated, this is calculated based on the lease portfolio as at the transition date of 30 March 2019 and does not factor in the aforementioned expired leases.

On a cash flow basis, the impact of transition to IFRS 16 will be £nil and the adoption of the standard will have no impact on the way the Group runs its business.

All other standards and related adoptions which have been published but not yet adopted are not expected to have a material impact on the consolidated results or financial position of the Group. A full listing will be provided in the statutory accounts.

2. Operating expenses

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Selling and distribution costs	**424.3**	410.0
	424.3	410.0
Administrative expenses, before non-underlying items	**92.5**	85.6
Non-underlying administrative expenses	**7.8**	4.8
	100.3	90.4
	524.6	500.4

3. Operating profit

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
- plant and machinery	**3.8**	2.8
- property rents	**93.1**	92.1
- rentals receivable under operating leases	**(3.1)**	(3.6)
Landlord surrender premiums	**(1.3)**	(2.1)
Loss on disposal of property, plant and equipment and intangibles	**5.5**	4.1
Amortisation of intangible assets	**13.0**	10.9
Depreciation and impairment of:		
- owned property, plant and equipment	**22.0**	23.0
- assets held under finance leases	**1.0**	1.0
Trade receivables impairment	**0.1**	0.2
Staff costs	**239.4**	231.4
Cost of inventories consumed in cost of sales	**554.2**	555.9

4. Non-underlying items

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Non-underlying operating expenses:		
Organisational restructure costs (a)	**6.8**	4.3
Group-wide strategic review (b)	**2.4**	-
One-off royalty income (c)	**(1.6)**	-
Acquisition and investment-related fees (d)	**0.2**	0.2
Autocentres operational review (e)	**-**	0.6
Operating lease obligation (f)	**-**	(0.3)
Non-underlying operating expenditure	**7.8**	4.8
Acquisition-related interest charge (g)	**-**	(0.3)
Non-underlying items before tax	**7.8**	4.5
Tax on non-underlying items (h)	**(1.4)**	(0.8)
Non-underlying items after tax	**6.4**	3.7

(a) In the current and prior period separate and unrelated organisational restructuring activities were undertaken.

Current period costs comprised:

- Redundancy costs of £1.5m relating to roles which will not be replaced; and
- £5.3m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites.

Costs in the prior period comprised:

- Redundancy costs of £0.7m relating to roles which will not be replaced;
- £1.0m provision for compensation to the new CEO on joining for foregoing entitlements from a previous employer, as outlined at the time of announcement of his appointment;
- £1.5m in relation to a restructure of the Boardman business. Boardman has stopped selling directly to customers through the Boardman website. The website will be maintained as a 'brand' website, with customers being directed to purchase bikes predominantly through Cycle Republic; and
- £1.1m in relation to asset write-offs, principally resulting from the strategic decision to close the marketplace offer on Halfords.com.

(b) Costs of £2.4m were incurred in the period in relation to the costs of preparing the new Group strategy, which comprised of the following:

- £2.0m of external consultant costs; and
- £0.4m warehouse and distribution costs in order to align our network with the new strategy.

(c) A one-off royalty income of £1.6m was received in the current period in relation to the use of a software licence.

(d) £0.2m of costs were incurred in the current period in relation to the investment in Tyres On The Drive and costs relating to a potential acquisition which did not progress. In the prior period £0.2m of costs were incurred relating to the investment in Tyres On The Drive.

(e) Prior period costs of £0.6m were incurred in relation to the review of the operating model of the Autocentres business.

(f) The operating lease obligation in the prior period related to a provision release of £0.3m from amounts originally provided for the Group's guarantor obligations arising from historically held lease guarantees.

(g) There was a £0.3m credit in FY18 from the release of the remaining portion of interest charge due on the contingent consideration for Tredz, which was paid in May 2017.

(h) The tax credit of £1.4m represents a tax rate of 18.0% applied to non-underlying items. The prior period represents a tax credit at 19.0% applied to non-underlying items.

5. Finance income and costs

Recognised in profit or loss for the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Finance costs:		
Bank borrowings	**(1.6)**	(1.3)
Amortisation of issue costs on loans	**(0.4)**	(0.5)
Commitment and guarantee fees	**(0.6)**	(0.5)
Acquisition-related interest charges	**—**	0.3
Interest payable on finance leases	**(0.8)**	(0.8)
Finance costs	**(3.4)**	(2.8)
Finance income:		
Bank and similar interest	**-**	0.1
Finance income	**-**	0.1
Net finance costs	**(3.4)**	(2.7)

6. Taxation

For the period	52 weeks to 29 March 2019 £m	52 weeks to 30 March 2018 £m
Current taxation		
UK corporation tax charge for the period	**11.5**	12.5
Adjustment in respect of prior periods	**0.2**	(2.2)
	11.7	10.3
Deferred taxation		
Origination and reversal of temporary differences	**(1.4)**	0.8
Adjustment in respect of prior periods	**(1.2)**	1.3
	(2.6)	2.1
Total tax charge for the period	**9.1**	12.4

The tax charge is reconciled with the standard rate of UK corporation tax as follows:

For the period	52 weeks to 29 March 2019 £m	52 weeks to 30 March 2018 £m
Profit before tax	**51.0**	67.1
UK corporation tax at standard rate of 19% (2018: 19%)	**9.7**	12.7
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.5**	0.7
Other disallowable expenses	**0.1**	0.3
Adjustment in respect of prior periods	**(1.0)**	(0.9)
Impact of overseas tax rates	**(0.2)**	(0.3)
Impact of change in tax rate on deferred tax balance	**-**	(0.1)
Total tax charge for the period	**9.1**	12.4

The UK corporation tax rate reduced from 20% to 19% (effective 1 April 2017) and will be further reduced to 17% (effective from 1 April 2020) following changes substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 29 March 2019 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

The effective tax rate of 17.8% (2018: 18.5%) is lower than the UK corporation tax rate principally due to the non-deductibility of depreciation charged on capital expenditure and non-deductible amortisation of intangible assets.

The tax charge for the period was £9.1m (2018: £12.4m), including a £1.4m credit (2018: £0.8m credit) in respect of tax on non-underlying items.

An income tax credit of £nil (2018: £0.2m credit) on other comprehensive income relates to the movement in fair valuing forward currency contracts outstanding at the year end. No other items within other comprehensive income have a tax impact.

The Group engages openly and proactively with tax authorities both in the UK and internationally, where it trades and sources products, and is considered low risk by HM Revenue & Customs ("HMRC"). The Company is fully committed to complying with all of its tax payment and reporting obligations.

In this period, the Group's contribution from both taxes paid and collected exceeded £172m (2018: £168m) with the main taxes including corporation tax of £12.7m (2018: £16.1m), net VAT of £72.2m (2018: £67.2m), employment taxes of £48.2m (2018: £47.3m) and business rates of £39.8m (2018: £37.5m).

7. Dividends

For the period	52 weeks to 29 March 2019 £m	52 weeks to 30 March 2018 £m
Equity – ordinary shares		
Final for the 52 weeks to 30 March 2018 – paid 12.03p per share (2018: 11.68p)	**23.7**	23.0
Interim for the 52 weeks to 29 March 2019 – paid 6.18p per share (2018: 6.0p)	**12.2**	11.8
	35.9	34.8

In addition, the Directors are proposing a final dividend in respect of the financial period ended 29 March 2019 of 12.39p per share (2018: 12.03p per share), which will absorb an estimated £24.4m (2018: £23.7m) of shareholders' funds. It will be paid on 30 August 2019 to shareholders who are on the register of members on 26 July 2019.

8. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by an Employee Benefit Trust and has been adjusted for the issue/purchase of shares during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 52 weeks to 29 March 2019.

The Group has also chosen to present an alternative earnings per share measure, underlying earnings per share, with profit adjusted for non-underlying items because it better reflects the Group's underlying performance.

For the period	52 weeks to 29 March 2019 Number of shares m	52 weeks to 30 March 2018 Number of shares m
Weighted average number of shares in issue	**199.1**	199.1
Less: shares held by the Employee Benefit Trust (weighted average)	**(2.0)**	(2.1)
Weighted average number of shares for calculating basic earnings per share	**197.1**	197.0
Weighted average number of dilutive shares	**2.1**	1.6
Total number of shares for calculating diluted earnings per share	**199.2**	198.6

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Basic earnings attributable to equity shareholders	**41.9**	54.7
Non-underlying items (see Note 4):		
Operating expenses	**7.8**	4.8
Finance costs	**-**	(0.3)
Tax on non-underlying items	**(1.4)**	(0.8)
Underlying earnings before non-underlying items	**48.3**	58.4

Earnings per share is calculated as follows:

For the period	**52 weeks to 29 March 2019**	52 weeks to 30 March 2018
Basic earnings per ordinary share	**21.2p**	27.8p
Diluted earnings per ordinary share	**21.0p**	27.5p
Basic underlying earnings per ordinary share	**24.5p**	29.6p
Diluted underlying earnings per ordinary share	**24.2p**	29.4p

9. Analysis of movements in the Group's net debt in the period

	At 30 March 2018 £m	Cash flow £m	Other non-cash changes £m	**At 29 March 2019 £m**
Cash and cash equivalents at bank and in hand	7.5	(14.9)	-	**(7.4)**
Debt due after one year	(83.7)	20.3	(0.4)	**(63.8)**
Total net debt excluding finance leases	(76.2)	5.4	(0.4)	**(71.2)**
Finance leases due within one year	(1.3)	0.6	(0.6)	**(1.3)**
Finance lease due after one year	(10.3)	-	1.0	**(9.3)**
Total finance leases	(11.6)	0.6	0.4	**(10.6)**
Total net debt	(87.8)	6.0	-	**(81.8)**

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £0.6m (2018: £0.5m) and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £9.8m (2018: £27.0m) of liquid assets and £17.2m (2018: £19.5m) of bank overdrafts.