22 May 2018

Halfords Group plc
Preliminary Results: Financial Year 2018

Halfords Group plc, the UK's leading retailer of motoring, cycling and leisure products and services, as well as a leading independent operator in garage servicing and auto repair, today announces its preliminary results for the 52 weeks to 30 March 2018 ("the period"). All numbers shown are before non-recurring items, unless otherwise stated.

Group Financial Summary

	FY18 £m	FY17 £m	Change	Like-for-Like Revenue* ("LFL")
Revenue	1,135.1	1,095.0	+3.7%	+2.0%
Retail	977.2	938.4	+4.1%	+2.3%
Autocentres	157.9	156.6	+0.8%	+0.2%
Gross Margin				
Retail	47.4%	48.6%	-123 bps	
Autocentres	67.5%	65.1%	+238 bps	
Underlying EBITDA*	109.5	108.7	+0.7%	
Underlying Profit Before Tax*	71.6	75.4	-5.0%	
Underlying Basic Earnings Per Share*	29.6p	30.3p	-2.3%	
Profit Before Tax after non-recurring items	67.1	71.4	-6.0%	
Basic Earnings Per Share after non-recurring items	27.8p	28.7p	-3.1%	
Proposed Full-Year Ordinary Dividend Per Share	18.03p	17.51p	+3.0%	

** Alternative performance measures are defined in the glossary on page 14.*

Solid sales growth in a challenging retail environment

- Total Group revenue +3.7% and +2.0% LFL, reflecting further improvements to service proposition and product ranges
- Retail Motoring sales +1.9% and Cycling +2.9% on a LFL basis
- Retail gross margin decline as expected; improved through the year as adverse FX impact receded
- Autocentres sales +0.2% LFL with improved gross margin and higher EBIT year-on-year
- Service-related Retail sales +14.2%; Group online sales +11.8%

Profit in line with market consensus and continued robust cash generation

- Underlying Profit Before Tax of £71.6m, down £3.8m year-on-year after absorbing c.£25m additional cost of sales as a result of the weaker pound against the US dollar
- Free Cash Flow of £41.5m, up £3.8m on last year
- Net debt at £87.8m representing 0.8 times Underlying EBITDA
- Proposed full-year ordinary dividend of 18.03 pence, up 3.0% year-on-year

Continued operational improvements

- Customer-to-transaction match rate of 59% in Retail and 72% across Group
- Continued focus on customer service with over 70% of eligible colleagues trained to 'Gear 2' level
- Range improvements including the new Halfords branded dash-cam, Carrera electric bikes and new services
- In Autocentres, operational review completed with early progress resulting in good profit growth

Outlook

We anticipate the motoring market will remain robust and continue to see good growth prospects for the cycling market although we do not expect prices to rise in cycling this year as in the previous year. Given this, the phasing of our remaining FX mitigation actions and decisions to accelerate investment in services and customer capabilities, we currently anticipate FY19 Underlying Profit Before Tax to be broadly in line with FY18.

Graham Stapleton, Chief Executive Officer, commented:

"We are pleased with the FY18 performance in a challenging retail environment, with profits in line with expectations. Halfords is a good business with a great future. By focussing more on our specialisms and our services, ensuring that we always provide best value to our customers and presenting a more seamless and inspirational omni-channel experience, there is a really exciting future of growth ahead of us. I look forward to presenting our longer-term plans in September."

Performance across the year

	26 weeks ended 29 September 2017 % change	15 weeks ended 12 January 2018 % change	11 weeks ended 30 March 2018 % change	Full year ended 30 March 2018 FY18 % change
TOTAL REVENUE				
Halfords Group	**+3.8**	**+3.2**	**+4.3**	**+3.7**
Retail	+4.5	+3.3	+4.5	+4.1
Autocentres	-0.6	+1.9	+3.1	+0.8
LFL REVENUE				
Halfords Group	**+1.5**	**+2.7**	**+1.4**	**+2.0**
Retail	+1.9	+2.9	+1.2	+2.3
Motoring	+1.9	+0.3	+3.6	+1.9
Car Maintenance	+2.2	+2.1	+8.9	+3.7
Car Enhancement	-2.0	-1.1	-4.8	-2.2
Travel Solutions	+7.1	-4.1	-0.2	+3.6
Cycling	+2.0	+7.8	-4.1	+2.9
Autocentres	-1.3	+0.7	+2.5	+0.2

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Results Presentation

A presentation for analysts and investors will be held today starting at 8.30am at Investec, 2 Gresham Street, London, EC2V 7QP. Attendance is by invitation only. A live webcast of the presentation will be available at www.halfordscompany.com. This presentation will cover the results for the year and some initial observations from the new CEO, Graham Stapleton.

Forthcoming Newsflow

On 4th September 2018 we will report on sales for the 20 weeks to 17th August 2018. In September 2018 we will host a Capital Markets Day at which we will present an update on strategy and the exciting opportunities for future growth. On 7th November 2018 we will report on the interim results for the 26 weeks ending 28th September 2018.

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 retailer of motoring, cycling and leisure products and services, as well as one of the UK's leading independent operators in vehicle servicing, maintenance and repairs. Customers shop at 457* Halfords stores and 20* Cycle Republic shops in the UK and Republic of Ireland and at halfords.com or cyclerepublic.com for pick-up at their local store or direct home delivery. Customers can also shop at three Tredz stores and a Giant store in South Wales as well as online at tredz.co.uk and wheelies.co.uk for cycling products and direct home delivery. Halfords Autocentres operates from 316* sites nationally and offers motorists high-quality MOTs, repairs and car servicing at affordable prices.

Halfords employs approximately 10,000 colleagues. The Retail offering encompasses significant ranges in car parts, cycling products, in-car technology, child seats, roof boxes and camping equipment. Halfords' key cycling own brands in-stores include Apollo, Carrera, Boardman, Pendleton and Wiggins, augmented by a range of other brands of cycles and accessories, including Voodoo and Raleigh and, through Tredz, a wide range of premium brands including Giant, Specialized, Cannondale, Cube and Scott. In Motoring, the Halfords Essentials and Halfords Advanced ranges are sold alongside brands such as General Electric, Bosch, Garmin, TomTom, Karcher, Thule and Autoglym. Halfords offers more than 70 in-store services including a fitting service called '***we****fit*' for car parts, child seats, satellite navigation and in-car entertainment systems, and a '***we****repair*' service for cycles.

** As at 22 May 2018*

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 £1,135.1m was up 3.7%, with like-for-like ("LFL") sales growth of 2.0%. Group gross margin of 50.2% was 78 basis points lower than the prior year, predominantly due to the impact on the cost of imported goods as a result of the weaker pound against the US dollar, partially offset by gross margin improvements in Autocentres. Group operating costs before non-recurring items rose by 2.9% reflecting continued investments in our colleagues, our online and offline infrastructure and more convenient and effective fulfilment solutions for customers.

The increase in cost of goods from the weaker pound against the US dollar amounted to c.£25m year-on-year, of which a significant proportion was mitigated in the year. Underlying EBITDA was up 0.7% to £109.5m and underlying EBIT was £74.6m, which compares with £77.1m in the prior year. Underlying Profit Before Tax was £71.6m and Underlying Basic Earnings Per Share was 29.6 pence, down 5.0% and 2.3% respectively. Profit after tax for the year was £54.7m (FY17: £56.4m).

Cash generation remained robust, with Free Cash Flow of £41.5m. Net Debt at the end of the year was broadly flat against the prior year-end, despite planned follow-on M&A payments and the working capital impact of VAT payment timing. Net debt:Underlying EBITDA at the year end was 0.8 times on a rolling 12 month basis (FY17: 0.8 times).

The Board has recommended a final ordinary dividend of 12.03 pence per share (FY17: 11.68 pence) which, if approved, would take the full-year ordinary dividend to 18.03 pence per share, an increase of 3.0% on the prior year. If approved, this will be paid on 31 August 2018 to shareholders on the register at the close of business on 27 July 2018. We continue to target dividend coverage of around 2 times on average over time and once the impact of adverse FX has been fully mitigated.

Our capital allocation priorities and debt target remain unchanged. We are currently in the process of developing plans for the next phase of business growth and capital investment programmes and look forward to presenting these to the market in September.

Retail Operational Review

Halfords Retail sales were up 4.1% to £977.2m. LFL growth of 2.3% reflected Motoring LFL of 1.9% and Cycling LFL of 2.9%. Our service-related sales grew by 14.2% as we continued to increase our service-led retail proposition, training our colleagues and introducing new services across both motoring and cycling categories.

Within Motoring, Car Maintenance revenues increased by 3.7% on a LFL basis, driven by growth in car parts and associated fitting services. Nearly 42% of the bulbs, blades and batteries ("3B's") sold were fitted to customers' cars by our colleagues, which was up 175 basis points year-on-year. This reflects the increasing relevance of our services proposition to the growing proportion of 'do-it-for-me' customers. The LFL growth also came from strong sales of workshop and hand-tools, which continued to benefit from the strong credentials of our 'Halfords Advanced' ranges.

Car Enhancement LFL revenues were -2.2%, principally reflecting the continued market decline in Sat Nav sales. Despite this, we gained share in Sat Navs year-on-year as others exited the market. Dash-cam sales grew strongly in the period, as we continued to invest in colleague training to support our market-leading fitting proposition. Shortly after the year end we launched our own Halfords-branded range of dash-cams.

Travel Solutions LFL revenues increased 3.6%, driven by good growth in roof bars / boxes, cycle carriers and camping equipment, as we supported customers with their 'staycation' journeys throughout the period. The category also benefited from improved fitting capability, with colleagues receiving refreshed training to support an enhanced service proposition. Child car seat sales were down year-on-year, as a result of annualising the legislative tailwind of last year.

Cycling sales improved by 2.9% on a LFL basis despite the unfavourable weather in the fourth quarter and not repeating the volume-driving summer promotion of the previous year. Whilst our bike volumes declined year-on-year as expected, this was more than offset by an increase in sales value. Parts, Accessories and Clothing ("PACs") sales continued to grow, supported by improved attachment rates.

Sales of electric bikes ("e-bikes") were strong, reflecting the popularity of our new own-brand ranges launched in the year. We also rolled out colleague training so that our trusted, expert colleagues were able to advise on the features and benefits for the customer. Our cycle repair services and 'cycle to work' business also performed strongly.

Tredz and Cycle Republic continued to perform well and deliver good LFL sales growth. Four new Cycle Republic stores were opened in the year, with one shortly after the year end, taking the total to 20 stores. Last month we opened the Boardman Performance Centre, a state-of-the-art facility to enhance the Boardman brand and provide a destination for cycling enthusiasts.

Service-related Retail sales, which consist of the revenue generated from paid in-store fitting and repair services plus the associated product attached to the transaction, grew by 14.2%, with particularly good performances from our 3B's fitting, dash cam fitting and cycle repair services. This is a reflection of our continued focus on growing awareness of our services and enhancing our capability and delivering of them through regular colleague training.

Retail online sales were up 6.0% on a like-for-like basis. The importance of our store network and service overlay continued to be highlighted by the strength of click & collect, with around 85% of Halfords.com online orders picked up in store. This high proportion continues to differentiate us from other retailers. Instead of cannibalising our bricks and mortar operation, online sales have driven store footfall; both our online and store sales were in growth for the year.

FX mitigation

The impact of the weaker pound against the US dollar has played out as guided. We have now experienced a cumulative additional £40m of input costs compared to FY16. Our plans to offset the impact (through supplier negotiations, operational efficiencies and pricing) have worked well and we have now recovered over half of the gross impact. At current exchange rates we do not anticipate any further FX headwind in FY19 or FY20 and we continue to anticipate fully recovering the impact over time – see outlook commentary on page 6.

Autocentres Operational Review

Total Autocentres revenues were up 0.8% and 0.2% on a LFL basis. As previously guided, we took the decision to exit low-margin affiliate tyre business at the start of the year and instead focused on direct tyre sales and on service, maintenance and repair work. As a result of this decision, gross margin and EBIT have increased year-on-year. We opened 3 Autocentres in the year. Online booking revenues grew 15% and contributed 28% of total Autocentre sales.

As previously noted, we undertook an operational review of Autocentres during the year and identified that there are good opportunities for profit improvement by implementing better systems and consistent application of best practice. This includes improving visibility and control in centres and improving the systems infrastructure. A proportion of our centres have good profit margins and there is an opportunity to better share the best practices in these high-performing centres with the rest of the estate. The programme to transform the operating model will take some time, but is well underway and the early progress is encouraging as indicated by improved year-on-year profit, particularly in the second half.

Summary of strategic progress over recent years

The Group has made good progress in recent years . A few of the key improvements are noted as follows:

- Continued investment in our colleagues. We launched the 'Gears' training programme in 2014 and this is now well-embedded in the Retail business and is integral to providing enhanced product knowledge to our customers and our ability to efficiently and effectively deliver service and our services. Around 70% of Retail colleagues are now trained to "Gear 2" level, up from 46% three years ago.

- Improved colleague engagement. This is evidenced by our own internal surveys and also by the Sunday Times Best Big Companies To Work For in which Halfords came 9th in the year, up from 18th in 2015.

- Better customer insights. We know our customers better than we did before. A single customer view has been implemented across all our Retail businesses and Autocentres, with a database containing details of millions of customers. We can now match 59% of transactions to customers in Retail, up from 3% in Nov 2015. The foundations are there to leverage this to be more relevant for our customers in the future.

- Solid foundations have been laid for the services business. These include building the comprehensive suite of services and training our colleagues to deliver them. We now have over 70 in-store services in the Retail business and service-related Retail sales have grown by 46% over the last three years. Investment in colleague headsets across the estate has supported increased colleague knowledge and specialist support for customers.

- Enhanced presence in the cycling market. In recent years we have launched Cycle Republic and acquired Tredz. Through these investments we can now service all segments of the cycling market from a child's first bike to the enthusiast with multiple bikes.

- Selective store refreshes underway. A store refresh programme was launched in 2013 and updated in 2016, focused on the look and feel of stores. Around a third of stores have been refreshed during this period.

- Ongoing improvements to our infrastructure. After a number of years of under-investment, investments have been made in a more resilient IT infrastructure, the embedding of a new delivery-to-store model in 2015, improvements towards a more agile approach to website development, the launch of a single view of stock and the implementation of the 'Dayforce' colleague resource planning system.

Initial thoughts on Halfords

I have been with Halfords for four months now. During this time I have been learning about the business and our markets, customers and competitors, visiting our facilities, meeting with colleagues and have also started to work with the team to identify opportunities for the next phase of growth.

This is a business that has good foundations. As set out above, there has been progress in previous years firstly in colleague development and customer service, and then latterly in becoming more customer-focused.

The business has some key visible strengths:
- strong heritage and brand awareness;
- market leader in many of its categories;
- trained and engaged colleagues with a "can do" attitude; and
- cash generative with a resilient financial position.

There are also a few areas of hidden potential, which Halfords has not yet fully leveraged:
- services businesses; a key differentiating factor, but many people aren't aware of what we can do;
- group-wide customer database; and,
- established B2B business, across both our motoring and cycling specialisms.

However, the world of retail is ever changing; customers are becoming more demanding and new entrants continue to disrupt the market. This brings its own challenges but it also brings real opportunities for those who can truly position themselves as service-led specialists.

In summary, Halfords is a good business with a great future. By focussing more on our specialisms and our services, ensuring that we always provide great value to our customers and presenting a more seamless and inspirational omni-channel experience, we have an exciting future of growth ahead of us. I will provide further operational and financial detail on our plans in September 2018.

Summary and outlook

We anticipate the motoring market will remain robust and we continue to see good growth prospects for the cycling market over time. Last year the cycling market was challenging, exacerbated by poor weather in the fourth quarter. We do not now expect to see price rises in cycling this year, like we saw in the previous year. We now anticipate the remainder of FX mitigation to arise from an improved pound/US dollar exchange rate, which will be mostly in FY20 due to the timing of our hedging programme. We also plan to accelerate investments in the current year in further developing our services proposition and in customer relationships and data. In light of the above, we currently anticipate FY19 Profit Before Tax to be broadly in line with FY18.

As separately published, the Board today announces the appointment of Keith Williams as Non-Executive Chairman with effect from 24th July 2018. He will succeed Dennis Millard who, as previously indicated, will retire from the Board on that date.

I would like to thank all colleagues for the warm welcome they have given me and for their enthusiasm. I am excited about Halfords' future and look forward to working with our colleagues and the Board to drive the next phase of growth.

Graham Stapleton
Chief Executive Officer, May 2018

Halfords Group plc's LEI code is 54930086FKBWWJIOB179

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 "FY18" accounting period represents trading for the 52 weeks to 30 March 2018 ("the financial year"). The comparative period "FY17" represents trading for the 52 weeks to 31 March 2017 ("the prior year").

Group Financial Results

	FY18 £m	**FY17 £m**	**Change**
Group Revenue	1,135.1	1,095.0	+3.7%
Group Gross Profit	570.2	558.6	+2.1%
Underlying EBIT*	74.6	77.1	-3.2%
Underlying EBITDA*	109.5	108.7	+0.7%
Net Finance Costs before non-recurring items	(3.0)	(1.7)	
Underlying Profit Before Tax*	**71.6**	**75.4**	**-5.0%**
Profit Before Tax, after non-recurring items	67.1	71.4	-6.0%
Underlying Basic Earnings per Share*	29.6p	30.3p	-2.3%

** Alternative performance measures are defined in the glossary on page 14.*

Group revenue in FY18, at £1,135.1m, was up 3.7% and comprised Retail revenue of £977.2m and Autocentres revenue of £157.9m. This compared to FY17 Group revenue of £1,095.0m, which comprised Retail revenue of £938.4m and Autocentres revenue of £156.6m. Group gross profit at £570.2m (FY17: £558.6m) represented 50.2% of Group revenue (FY17: 51.0%), reflecting a decrease in the Retail gross margin of 123 basis points ("bps") to 47.4% and increase in the Autocentres gross margin of 238 bps to 67.5%.

Total operating costs before non-recurring items increased to £495.6m (FY17: £481.5m) of which Retail comprised £391.0m (FY17: £379.8m), Autocentres £102.5m (FY17: £99.8m) and unallocated costs £2.1m (FY17: £1.9m). 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 increased 0.7% to £109.5m (FY17: £108.7m), whilst net finance costs before non-recurring items were £3.0m (FY17: £1.7m).

Underlying Profit Before Tax for the year was down 5.0% at £71.6m (FY17: £75.4m). Net non-recurring items of £4.5m in the year (FY17: £4.0m) related predominantly to organisational restructure costs and the Autocentres operational review. After non-recurring items, Group Profit Before Tax was £67.1m (FY17: £71.4m).

Retail

	FY18 £m	FY17 £m	Change
Revenue	977.2	938.4	+4.1%
Gross Profit	463.6	456.6	+1.5%
Gross Margin	47.4%	48.6%	-123 bps
Operating Costs	(391.0)	(379.8)	+2.9%
Underlying EBIT*	**72.6**	**76.8**	**-5.5%**
Non-recurring items	(4.8)	(3.1)	
EBIT after non-recurring items	67.8	73.7	-8.0%
Underlying EBITDA*	**99.0**	**101.1**	**-2.1%**

** Alternative performance measures are defined 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 2.3%. Non-LFL revenue in the year included sales from the Tredz and Wheelies businesses prior to the annualisation of the acquisition date, alongside 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:

	FY18 LFL (%)	FY18 Total sales mix (%)	FY17 Total sales mix (%)
Motoring	**+1.9**	**61.0**	**62.0**
Car Maintenance	+3.7	31.6	31.4
Car Enhancement	-2.2	18.2	19.0
Travel Solutions	+3.6	11.2	11.6
Cycling	**+2.9**	**39.0**	**38.0**

Gross profit for the Retail business at £463.6m (FY17: £456.6m) represented 47.4% of sales, 123bps down on the prior year (FY17: 48.6%). This movement is explained as follows:

Gross impact of the weaker pound against the US dollar (pre-mitigation)	-270 bps
First time inclusion of Tredz and Wheelies for the period prior to annualisation of the acquisition in May 2016	-20 bps
The mix effect of: relatively faster cycling sales growth, partially offset by Sat Nav sales declines and higher margin service sales growth	-30 bps
Mitigation of FX impact and other	197 bps
Total Retail gross margin movement	**-123 bps**

As previously guided, in the first half of FY18 the impact of the depreciation of the pound against the US dollar, pre-mitigation, reached its highest level of any half year period since the EU referendum. If exchange rates remain at around current levels, we do not anticipate further adverse impact in FY19. The table below shows the average exchange rate reflected in cost of sales along with the year-on-year movement.

	FY18 full year	FY17 full year
Average USD:GBP rate reflected in cost of sales	$1.29	$1.47
Year-on-year movement in rate	$(0.18)	$(0.12)

Operating Costs before non-recurring items were £391.0m (FY17: £379.8m). The breakdown is set out below:

	FY18 £m	FY17* £m	Change
Store Colleagues	115.5	111.2	+3.9%
Store Occupancy	142.4	138.6	+2.7%
Warehouse & Distribution	51.6	48.9	+5.5%
Support Costs	81.5	81.1	+0.5%
Total Operating Costs before non-recurring items	**391.0**	**379.8**	**+2.9%**

** The prior year costs have been restated from those disclosed in the prior year, in order to allocate the costs of the Tredz & Wheelies business to the respective cost categories.*

Store Colleague costs increased by 3.9% and reflected the continued inflation in the living and minimum wage rates, additional labour hours, the impact of additional Cycle Republic stores and also the first-time inclusion of a full-year of Tredz & Wheelies costs.

Store Occupancy costs increased by 2.7%, principally driven by the write-off of assets no longer required, increased utility costs driven by the cold weather in the early Spring and additional costs associated with the store refreshes and new Cycle Republic stores. Rent and rates on the existing estate were broadly flat.

Warehouse & Distribution costs increased by 5.5%, driven by a combination of wage inflation, an increase in storage costs and also additional courier costs, resulting from our improved home delivery proposition. There was also an impact of greater demand for more bulky items, such as roof boxes, cycle carriers, camping products and metal storage.

Support Costs increased by 0.5%, reflecting the impact of pay rises and increased depreciation, partially offset by savings elsewhere as costs were tightly controlled.

Autocentres

	FY18 £m	FY17 £m	Change
Revenue	157.9	156.6	+0.8%
Gross Profit	106.6	102.0	+4.5%
Gross Margin	67.5%	65.1%	+238 bps
Operating Costs	(102.5)	(99.8)	+2.7%
Underlying EBIT*	**4.1**	**2.2**	**+86.4%**
Non-recurring items	-	(0.3)	
EBIT after non-recurring items	4.1	1.9	+115.8%
Underlying EBITDA*	**10.5**	**7.6**	**+38.2%**

** Alternative performance measures are defined in the glossary on page 14.*

Autocentres generated total revenues of £157.9m (FY17: £156.6m), an increase of 0.8% on the prior year with a LFL increase of 0.2%.

This sales performance reflected the successful transition away from low-margin third party affiliate tyre sales, towards direct tyre sales, and service, maintenance and repair work, which, along with improved purchasing, resulted in an improvement in gross margin.

Gross profit at £106.6m (FY17: £102.0m) represented a gross margin of 67.5%; an increase of 238 bps on the prior year.

Autocentres' Underlying EBITDA of £10.5m (FY17: £7.6m), was 38.2% higher than FY17, and Underlying EBIT was £1.9m (86%) higher than FY17 at £4.1m (FY17: £2.2m).

Portfolio Management

The Retail store portfolio at 30 March 2018 comprised 480 stores (end of FY17: 479).

The following table outlines the changes in the Retail store portfolio over the year:

	Number
Relocations	5
Leases re-negotiated	32
Rightsized	1
Openings	4
Closed	3

36 Retail stores were refreshed in the year (FY17: 17). Management currently anticipates continuing to refresh stores and to open new Cycle Republic stores in FY19; further guidance to be provided later in the year.

Three Autocentres were opened in the year, taking the total number of Autocentre locations to 316 as at 30 March 2018 (end of FY17: 313). Six Autocentres were refreshed in the year (FY17: 16).

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-Recurring items

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

	FY18 **£m**	**FY17** **£m**
Organisational restructure costs	4.3	0.6
Autocentres operational review	0.6	-
Acquisition and investment related fees	0.2	1.7
Operating lease obligation	(0.3)	0.3
Costs in relation to a historic legal case	-	0.8
Net non-recurring operating costs	**4.8**	**3.4**
Acquisition related interest (credit)/charge	(0.3)	0.6
Net non-recurring items	**4.5**	**4.0**

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

- Redundancy costs of £0.7m (FY17: £0.6m);
- £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 £0.6m were incurred in FY18 in relation to the review of the operating model of the Autocentres business.

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

Finance Expense

The net finance expense (before non-recurring items) for the year was £3.0m (FY17: £1.7m). The increase was due to the non-repeat of £1.4m income from forward foreign exchange contracts. The interest costs on bank borrowings were slightly down on the previous year, reflecting the improved terms negotiated in the amendment of the revolving credit facility.

Taxation

The taxation charge on profit for the financial year was £12.4m (FY17: £15.0m), including a £0.8m credit (FY17: £0.9m credit) in respect of non-recurring items. The effective tax rate of 18.5% (FY17: 21.0%) differs from the UK corporation tax rate (19%) principally due to non-deductible depreciation charged on capital expenditure, overseas tax rates and the impact of share options accounting.

Earnings Per Share ("EPS")

Underlying Basic EPS was 29.6 pence and after non-recurring items 27.8 pence (FY17: 30.3 pence, 28.7 pence after non-recurring items), a 2.3% and 3.1% decrease on the prior year. Basic weighted-average shares in issue during the year were 197.0m (FY17: 196.6m).

Dividend ("DPS")

The Board has recommended a final dividend of 12.03 pence per share (FY17: 11.68 pence), taking the full year ordinary dividend to 18.03 pence per share, an increase of 3.0%. If approved the final dividend will be paid on 31 August 2018 to shareholders on the register at the close of business on 27 July 2018.

We continue to target coverage of around 2 times on average over time. However, the impact of adverse FX movements will reduce cover initially until fully mitigated, which will take some time.

Capital Expenditure

Capital investment in the year totalled £37.3m (FY17: £36.1m) comprising £30.3m in Retail and £7.0m in Autocentres.

Within Retail, £12.8m (FY17: £11.5m) was invested in stores, including store relocations and refreshes, and the opening of four Cycle Republic stores. Additional investments in Retail infrastructure included a £12.2m investment in IT systems, including development of the till hardware and software upgrade. The balance of £5.3m was invested in warehousing and logistics upgrades, trading initiatives and Tredz & Wheelies infrastructure improvements.

The £7.0m (FY17: £6.6m) capital expenditure in Autocentres principally related to the replacement of garage equipment and replacement of fixtures and fittings, and development of new till hardware and software.

On a cash basis, total capital expenditure in the year was £37.0m (FY17: £34.4m).

Inventories

Group inventory held as at the year end was £195.5m (FY17: £191.1m). Retail inventory increased to £194.1m (FY17: £189.8m), reflecting increased stock in transit, higher Tredz and Wheelies stock and the impact of the weaker pound against the US dollar, which increased the cost of imported goods.

Autocentres' inventory was £1.4m (FY17: £1.3m). 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 £95.4m (FY17: £90.0m). After acquisitions, taxation, capital expenditure and net finance costs, Free Cash Flow of £41.5m (FY17: £37.7m) was generated in the year. Group Net Debt was £87.8m (FY17: £85.9m), with the Underlying EBITDA ratio at 0.8:1. During the year there were £8.6m of planned follow-on payments in respect of the Tredz acquisition and Tyres on the Drive investment, and c.£9m adverse working capital impact from the timing of VAT payments. The latter is anticipated to reverse out over the medium-term, but not in FY19.

Brexit and impact of movements in foreign currency exchange rates

As we have previously explained, the decision of the UK to leave the European Union ("Brexit") presents significant uncertainties to the Group as a result of the impact on the wider UK economy. We have previously set out the main areas in which we considered Brexit was likely to impact the Group. We reaffirm and update our assessment of these below:

1) Impact on exchange rates. The Group buys a significant proportion of its goods in US dollars; between $250m and $300m a year. As previously guided, the majority of our US dollar sourcing is for cycling products and, in 2017, bike prices rose across the cycling market, both from suppliers into retailers and then onto customers. We also increased some of our bike prices, but we maintained good value against the competition. Our bike volumes declined, but this was more than offset by the increase in average selling prices.

   We have now experienced a cumulative additional £40m of input costs compared to FY16, in respect of the weaker pound against the US dollar. Our plans to offset the gross impact (through supplier negotiations, operational efficiencies and pricing) have worked well and the net impact on Retail gross margin visibly improved over the year with a year-on-year movement in gross margin of -182bps in H1 and -48 bps in H2. We have now recovered over half of the gross impact and at current exchange rates we do not anticipate any further FX headwind in FY19 or FY20.

   As explained in the CEO statement, we now expect the remaining unmitigated amount to be recovered through the improved exchange rates rather than through further price rises. Given our hedging policy, this benefit will be mostly felt in FY20 rather than in FY19.

2) Prolonged uncertainty over exit terms and continued weakness in Sterling could lead to a slowdown in the UK economy, and consequent loss of consumer confidence, impacting trading conditions for the Group. However, Halfords has strong positions in fragmented Motoring and Cycling markets, and a service-led offer that differentiates us from our competitors, physical and online. Much of our sales are in needs-based categories that are more resilient to macro-economic cycles and our discretionary categories, such as cycling, camping and travel solutions, could benefit from an increase in the number of people choosing to stay at home rather than holidaying abroad; a trend that we observed in 2009.

Principal Risks and Uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report & 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 2018 Annual Report and Accounts. These include:

- Economic risks; including market risks
- Business strategy risks
- Competitive risks
- Compliance
- Supply chain disruption
- Product and service quality
- Information technology systems and infrastructure
- Dependence on key management personnel

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.

Jonny Mason
Chief Financial Officer, 22 May 2018

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-recurring items. Underlying EBITDA further removes Depreciation and Amortisation.
3. Underlying Profit Before Tax is Profit before income tax and non-recurring items as shown in the Group Income Statement.
4. Underlying Earnings Per Share is Profit after income tax before non-recurring items as shown in the Group Income Statement, 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.
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.

	FY18 **£m**	**FY17** **£m**
Underlying EBITDA	109.5	108.7
Non-recurring operating expenses	(4.8)	(3.4)
EBITDA	104.7	105.3
Share based payment transactions	0.4	1.0
Loss on disposal of property, plant & equipment	4.1	0.2
Working capital movements	(12.6)	(16.3)
Provisions movement and other	(1.2)	(0.2)
Adjusted Operating Cash Flow	**95.4**	**90.0**

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

	FY18 **£m**	**FY17** **£m**
Adjusted Operating Cash Flow	95.4	90.0
Capital expenditure	(37.0)	(34.4)
Net finance costs	(1.9)	(0.8)
Taxation	(16.1)	(15.3)
Exchange movements	1.9	(1.8)
Arrangement fees on loans	(0.8)	-
Free Cash Flow	**41.5**	**37.7**

Halfords Group plc

Consolidated income statement

For the period		**52 weeks to 30 March 2018**			52 weeks to 31 March 2017		
		Before Non-recurring items	**Non-recurring items (note 4)**	**Total**	Before Non-recurring items	Non-recurring items (note 4)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue		**1,135.1**	**-**	**1,135.1**	1,095.0	-	1,095.0
Cost of sales		**(564.9)**	**-**	**(564.9)**	(536.4)	-	(536.4)
Gross profit		**570.2**	**-**	**570.2**	558.6	-	558.6
Operating expenses	2	**(495.6)**	**(4.8)**	**(500.4)**	(481.5)	(3.4)	(484.9)
Results from operating activities	3	**74.6**	**(4.8)**	**69.8**	77.1	(3.4)	73.7
Finance costs	5	**(3.1)**	**0.3**	**(2.8)**	(3.2)	(0.6)	(3.8)
Finance income	5	**0.1**	**-**	**0.1**	1.5	-	1.5
Net finance expense		**(3.0)**	**0.3**	**(2.7)**	(1.7)	(0.6)	(2.3)
Profit before income tax		**71.6**	**(4.5)**	**67.1**	75.4	(4.0)	71.4
Income tax expense	6	**(13.2)**	**0.8**	**(12.4)**	(15.9)	0.9	(15.0)
Profit for the financial period attributable to equity shareholders		**58.4**	**(3.7)**	**54.7**	59.5	(3.1)	56.4
Earnings per share							
Basic	8	**29.6p**		**27.8p**	30.3p		28.7p
Diluted	8	**29.4p**		**27.5p**	30.2p		28.6p

All results relate to continuing operations of the Group.

Halfords Group plc

Consolidated statement of comprehensive income

	Notes	**52 weeks to 30 March 2018 £m**	52 weeks to 31 March 2017 £m
Profit for the period		**54.7**	56.4
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**(11.0)**	14.8
Transfers to net profit:			
Cost of sales		**1.3**	(5.1)
Income tax on other comprehensive income	6	**0.2**	0.5
Other comprehensive income for the period, net of income tax		**9.5**	(2.6)
Total comprehensive income for the period attributable to equity shareholders		**45.2**	53.8

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

	30 March 2018 £m	31 March 2017 £m
Assets		
Non-current assets		
Intangible assets	**393.9**	394.1
Property, plant and equipment	**101.3**	102.8
Investments	**8.1**	8.1
Total non-current assets	**503.3**	505.0
Current assets		
Inventories	**195.5**	191.1
Trade and other receivables	**56.0**	58.4
Derivative financial instruments	**0.3**	5.2
Cash and cash equivalents	**27.0**	16.5
Total current assets	**278.8**	271.2
Total assets	**782.1**	776.2
Liabilities		
Current liabilities		
Borrowings	**(20.8)**	(19.8)
Derivative financial instruments	**(5.4)**	(1.5)
Trade and other payables	**(187.0)**	(206.2)
Current tax liabilities	**(3.3)**	(8.7)
Provisions	**(11.9)**	(11.0)
Total current liabilities	**(228.4)**	(247.2)
Net current assets	**50.4**	24.0
Non-current liabilities		
Borrowings	**(94.0)**	(82.6)
Accruals and deferred income – lease incentives	**(31.2)**	(31.9)
Deferred tax liability	**(2.7)**	(0.8)
Provisions	**(3.9)**	(6.2)
Total non-current liabilities	**(131.8)**	(121.5)
Total liabilities	**(360.2)**	(368.7)
Net assets	**421.9**	407.5
Shareholders' equity		
Share capital	**2.0**	2.0
Share premium	**151.0**	151.0
Investment in own shares	**(9.4)**	(9.5)
Other reserves	**(2.9)**	0.6
Retained earnings	**281.2**	263.4
Total equity attributable to equity holders of the Company	**421.9**	407.5

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 1 April 2016	2.0	151.0	(10.9)	0.3	2.9	260.1	405.4
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	56.4	56.4
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	14.8	-	14.8
Transfers to inventory	-	-	-	-	(12.8)	-	(12.8)
Transfers to net profit:							
Cost of sales	-	-	-	-	(5.1)	-	(5.1)
Income tax on other comprehensive income	-	-	-	-	0.5	-	0.5
Total other comprehensive income for the period net of tax	-	-	-	-	(2.6)	-	(2.6)
Total comprehensive income for the period	-	-	-	-	(2.6)	56.4	53.8
Transactions with owners							
Share options exercised	-	-	1.4	-	-	-	1.4
Share-based payment transactions	-	-	-	-	-	1.0	1.0
Income tax on share-based payment transactions	-	-	-	-	-	(0.6)	(0.6)
Dividends to equity holders	-	-	-	-	-	(53.5)	(53.5)
Total transactions with owners	-	-	1.4	-	-	(53.1)	(51.7)
Balance at 31 March 2017	**2.0**	**151.0**	**(9.5)**	**0.3**	**0.3**	**263.4**	**407.5**

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 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 net profit:							
Cost of sales	-	-	-	-	1.3	-	**1.3**
Transfer between reserves					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 gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	4.3	-	4.3
Transactions with owners							
Share options exercised	-	-	0.1	-	-	-	**0.1**
Share-based payment transactions	-	-	-	-	-	(0.4)	**(0.4)**
Income tax on share-based payment transactions	-	-	-	-	-	-	**-**
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**

Halfords Group plc

Consolidated statement of cash flows

	Notes	**52 weeks to 30 March 2018 £m**	52 weeks to 31 March 2017 £m
Cash flows from operating activities			
Profit after tax for the period, before non-recurring items		**58.4**	59.5
Non-recurring items		**(3.7)**	(3.1)
Profit after tax for the period		**54.7**	56.4
Depreciation and impairment - property, plant and equipment		**24.0**	21.6
Amortisation - intangible assets		**10.9**	10.0
Net finance costs		**2.7**	2.3
Loss on disposal of property, plant and equipment		**4.1**	0.2
Equity-settled share based payment transactions		**0.4**	1.0
Exchange movement		**1.9**	(1.8)
Income tax expense		**12.4**	15.0
(Increase) in inventories		**(4.4)**	(33.2)
Decrease in trade and other receivables		**2.4**	2.3
(Decrease)/Increase in trade and other payables		**(10.6)**	14.6
(Decrease) in provisions		**(1.4)**	(0.2)
Finance income received		**0.1**	1.5
Finance costs paid		**(2.0)**	(2.3)
Income tax paid		**(16.1)**	(15.3)
Net cash from operating activities		**79.1**	72.1
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(5.1)**	(18.0)
Purchase of investment		**(3.5)**	(4.1)
Purchase of intangible assets		**(18.0)**	(18.4)
Purchase of property, plant and equipment		**(19.0)**	(16.0)
Net cash used in investing activities		**(45.6)**	(56.5)
Cash flows from financing activities			
Net proceeds from exercise of share options		**0.1**	1.4
Proceeds from loans, net of transaction costs		**415.2**	297.0
Repayment of borrowings		**(404.0)**	(251.0)
Payment of finance lease liabilities		**(0.6)**	(0.6)
Dividends paid		**(34.8)**	(53.5)
Net cash used in financing activities		**(24.1)**	(6.7)
Net increase in cash and bank overdrafts	9	**9.4**	8.9
Cash and cash equivalents at the beginning of the period		**(1.9)**	(10.8)
Cash and cash equivalents at the end of the period	9	**7.5**	(1.9)

Cash and cash equivalents at the period end consist of £27.0m (2017: £16.5m) of liquid assets and £19.5m (2017: £18.4m) of bank overdrafts.

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 FY17 and FY18, which did not contain any statement under s498 of the Companies Act 2006 and are unqualified. The statutory accounts for FY17 have been delivered to the Registrar of Companies and the statutory accounts for FY18 will be filed with the Registrar in due course.

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").

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 30 March 2018, whilst the comparative period covered the 52 weeks to 31 March 2017.

2. Operating expenses

For the period	**52 weeks to 30 March 2018 £m**	52 weeks to 31 March 2017 £m
Selling and distribution costs	**410.0**	401.5
	410.0	401.5
Administrative expenses, before non-recurring items	**85.6**	80.0
Non-recurring administrative expenses	**4.8**	3.4
	90.4	83.4
	500.4	484.9

3. Operating profit

For the period	**52 weeks to 30 March 2018 £m**	52 weeks to 31 March 2017 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
- plant and machinery	**2.8**	2.0
- property rents	**92.1**	91.7
- rentals receivable under operating leases	**(3.6)**	(3.8)
Landlord surrender premiums	**(2.1)**	(1.9)
Loss on disposal of property, plant and equipment	**4.1**	0.2
Amortisation of intangible assets	**10.9**	10.0
Depreciation and impairment of:		
- owned property, plant and equipment	**23.0**	20.8
- assets held under finance leases	**1.0**	0.8
Trade receivables impairment	**0.2**	0.1
Staff costs	**231.4**	219.7
Cost of inventories consumed in cost of sales	**555.9**	524.7

4. Non-recurring items

For the period	**52 weeks to 30 March 2018 £m**	52 weeks to 31 March 2017 £m
Non-recurring operating expenses:		
Organisational Restructure Costs (a)	**4.3**	0.6
Autocentres operational review (b)	**0.6**	-
Acquisition and investment related fees (c)	**0.2**	1.7
Operating lease obligation (d)	**(0.3)**	0.3
Costs in relation to a historic legal case (e)	**-**	0.8
Non-recurring operating expenditure	**4.8**	3.4
Acquisition related interest charge (f)	**(0.3)**	0.6
Non-recurring items before tax	**4.5**	4.0
Tax on non-recurring items (g)	**(0.8)**	(0.9)
Non-recurring items after tax	**3.7**	3.1

(a) In the current and prior year, separate and unrelated organisational restructuring activities were undertaken. These comprised:
- Redundancy costs of £0.7m (FY17: £0.6m);
- £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 £0.6m were incurred in FY18 in relation to the review of the operating model of the Autocentres business.

(c) In FY18 further acquisition and investment related fees were incurred relating to the investment in Tyres On The Drive. Prior year costs predominantly related to the acquisition of Tredz & Wheelies.

(d) The operating lease obligation in the current year related to a provision release of £0.3m from amounts originally provided for the Group's guarantor obligations arising from historically held lease guarantees. Prior year costs related to rectification work to one of the Group's retail stores, which was required to make good an area of land upon which the store is located.

(e) During the prior year the Group settled a court case which related to activities during FY12. The size and historic nature of the settlement was outside the normal experience of the Group.

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

(g) The tax credit of £0.8m represents a tax rate of 19.0% applied to non-recurring items. The prior period represents a tax credit at 20% applied to non-recurring items.

5. Finance income and costs

Recognised in profit or loss for the period	**52 weeks to 30 March 2018**	52 weeks to 31 March 2017
	£m	£m
Finance costs:		
Bank borrowings	**(1.3)**	(1.1)
Amortisation of issue costs on loans	**(0.5)**	(0.7)
Commitment and guarantee fees	**(0.5)**	(0.6)
Acquisition related interest charges	**0.3**	(0.6)
Interest payable on finance leases	**(0.8)**	(0.8)
Finance costs	**(2.8)**	(3.8)
Finance income:		
Bank and similar interest	**0.1**	0.1
Income from forward foreign exchange contracts	**-**	1.4
Finance income	**0.1**	1.5
Net finance costs	**(2.7)**	(2.3)

6. Taxation

For the period	**52 weeks to 30 March 2018 £m**	52 weeks to 31 March 2017 £m
Current taxation		
UK corporation tax charge for the period	**12.5**	16.1
Adjustment in respect of prior periods	**(2.2)**	(0.3)
	10.3	15.8
Deferred taxation		
Origination and reversal of temporary differences	**0.8**	(0.4)
Adjustment in respect of prior periods	**1.3**	(0.4)
	2.1	(0.8)
Total tax charge for the period	**12.4**	15.0

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

For the period	**52 weeks to 30 March 2018 £m**	52 weeks to 31 March 2017 £m
Profit before tax	**67.1**	71.4
UK corporation tax at standard rate of 19% (2017: 20%)	**12.7**	14.3
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.7**	1.7
Other disallowable expenses	**0.3**	0.3
Adjustment in respect of prior periods	**(0.9)**	(0.7)
Impact of overseas tax rates	**(0.3)**	(0.4)
Impact of change in tax rate on deferred tax balance	**(0.1)**	(0.2)
Total tax charge for the period	**12.4**	15.0

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 31 March 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

The effective tax rate of 18.5% (2017: 21.0%) is higher 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 £12.4m (2017: £15.0m), including a £0.8m credit (2017: £0.9m credit) in respect of tax on non-recurring items.

An income tax credit of £0.2m (2017: £0.5m 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.

In addition to the above, a £nil current tax debit (2017: £0.6m credit) and a £nil deferred tax credit (2017: £0.6m credit) is recognised in reserves in relation to employee share options.

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 £168m (2017: £160m) with the main taxes including corporation tax of £16.1m (2017: £15.3m), net VAT of £67.2m (2017: £59.0m), employment taxes of £47.3m (2017: £48.3m) and business rates of £37.5m (2017: £37.3m).

7. Dividends

For the period	**52 weeks to 30 March 2018**	52 weeks to 31 March 2017
	£m	£m
Equity – ordinary shares		
Final for the 52 weeks to 31 March 2017 – paid 11.68p per share (2017: 11.34p)	**23.0**	22.3
Interim for the 52 weeks to 30 March 2018 – paid 6.0p per share (2017: 5.83p)	**11.8**	11.5
Special dividend – nilp per share (2017: 10.0p)	**-**	19.7
	34.8	53.5

In addition, the Directors are proposing a final dividend in respect of the financial period ended 30 March 2018 of 12.03p per share (2017: 11.68p per share), which will absorb an estimated £23.7m (2017: £23.0m) of shareholders' funds. It will be paid on 31 August 2018 to shareholders who are on the register of members on 27 July 2018.

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 30 March 2018.

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

For the period	**52 weeks to 30 March 2018 Number of shares**	52 weeks to 31 March 2017 Number of shares
	m	m
Weighted average number of shares in issue	**199.1**	199.1
Less: shares held by the Employee Benefit Trust (weighted average)	**(2.1)**	(2.5)
Weighted average number of shares for calculating basic earnings per share	**197.0**	196.6
Weighted average number of dilutive shares	**1.6**	0.5
Total number of shares for calculating diluted earnings per share	**198.6**	197.1

For the period	52 weeks to 30 March 2018 £m	52 weeks to 31 March 2017 £m
Basic earnings attributable to equity shareholders	**54.7**	56.4
Non-recurring items (see note 4):		
Operating expenses	**4.8**	3.4
Finance costs	**(0.3)**	0.6
Tax on non-recurring items	**(0.8)**	(0.9)
Underlying earnings before non-recurring items	**58.4**	59.5

Earnings per share is calculated as follows:

For the period	52 weeks to 30 March 2018	52 weeks to 31 March 2017
Basic earnings per ordinary share	**27.8p**	28.7p
Diluted earnings per ordinary share	**27.5p**	28.6p
Basic underlying earnings per ordinary share	**29.6p**	30.3p
Diluted underlying earnings per ordinary share	**29.4p**	30.2p

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

	At 31 March 2017 £m	Cash flow £m	Other non-cash changes £m	At 30 March 2018 £m
Cash and cash equivalents at bank and in hand	(1.9)	9.4	-	**7.5**
Debt due after one year	(72.0)	(11.2)	(0.5)	**(83.7)**
Total net debt excluding finance leases	(73.9)	(1.8)	(0.5)	**(76.2)**
Finance leases due within one year	(1.4)	0.6	(0.5)	**(1.3)**
Finance lease due after one year	(10.6)	-	0.3	**(10.3)**
Total finance leases	(12.0)	0.6	(0.2)	**(11.6)**
Total net debt	(85.9)	(1.2)	(0.7)	**(87.8)**

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £0.5m (2017: £0.7m) and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £27.0m (2017: £16.5m) of liquid assets and £19.5m (2017: £18.4m) of bank overdrafts.

10. Acquisition of subsidiary

On 23 May 2016 the Group acquired 100% of the issued share capital of Tredz Limited and Wheelies Direct Limited for initial cash consideration of £19.2m (excluding transaction costs). The acquired businesses comprise, an online retailer of premium bikes and cycling parts, accessories and clothing, which trades UK-wide under the brand Tredz, and the UK's largest provider of bicycle replacement for insurance companies which trades under the brand Wheelies. The transaction has been accounted for using the acquisition method of accounting.

Contingent Consideration

In addition to the initial consideration, a liability of £5.5m was recognised at fair value in respect of contingent consideration due to the previous shareholders. The contingent consideration was paid in May 2017 for £5.1m.

The acquisition had the following impact on the Group's assets and liabilities:

	Book value £m	Fair value adjustment £m	Final fair value £m
Tredz and Wheelies net assets at the acquisition date			
Intangible assets and goodwill	0.8	(0.8)	-
Tangible assets	1.3	(0.1)	1.2
Inventories	5.7	(0.1)	5.6
Trade and other receivables	1.8	-	1.8
Cash	1.2	-	1.2
Trade and other payables	(6.1)	-	(6.1)
Borrowings	(0.3)	-	(0.3)
Current tax liabilities	(0.2)	-	(0.2)
Deferred tax liability	(0.2)	-	(0.2)
Total	**4.0**	**(1.0)**	**3.0**

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	£m
Total consideration	23.9
Less fair value of identifiable assets	(3.0)
Goodwill and intangible assets	**20.9**
Intangible Assets:	
Supplier relationships	7.8
Tredz and Wheelies Brand Names	5.6
Computer Software	0.5
Deferred tax liability	(2.5)
Goodwill	**9.5**

None of the goodwill acquired is expected to be deductible for income tax purposes. The goodwill relates to the assembled workforce of Tredz and Wheelies and future expansion and growth opportunities.

11. Post Balance Sheet Events

The Group announced the resignation of its Group Chief Financial Officer, Jonny Mason, on 27 March 2018, with a leaving date of September 2018.