halfords

7 July 2020

Halfords Group plc
Preliminary Results: Financial Year 2020

Underlying profit+ exceeded guidance: a strong operating performance, with gross margin improvements and tight cost control. Strategic focus on motoring services led to +18.8% growth in Autocentres revenue

Halfords Group plc ("Halfords" or the "Group"), the UK's leading provider of Motoring and Cycling products and services, today announces its preliminary results for the 53 weeks to 3 April 2020 ("the period"). To aid comparability, all numbers shown are before adopting IFRS 16, before non-underlying items and on a 52-week basis, unless otherwise stated.

Group financial summary

	FY20 (53 weeks) £m	FY20 (52 weeks) £m	FY19 (52 weeks) £m	52-week change
Revenue	**1,155.1**	**1,142.4**	**1,138.6**	**+0.3%**
Retail	961.0	950.6	977.2	-2.7%
Autocentres	194.1	191.8	161.4	+18.8%
Gross Margin	***51.1%***	***51.1%***	***50.9%***	***+27bps***
Retail	*48.2%*	*48.2%*	*48.0%*	*+20bps*
Autocentres	*65.4%*	*65.5%*	*68.0%*	*-250bps*
Underlying EBITDA*	**92.6**	**95.3**	**98.2**	**-3.0%**
Underlying Profit Before Tax ("PBT")*	**52.6**	**55.9**	**58.8**	**-4.9%**
Net Non-Underlying Items, pre-IFRS 16	(32.1)	(32.1)	(7.8)	
Impact of Adopting IFRS 16	(1.1)	(1.1)	-	
Profit Before Tax, after impact of IFRS 16	**19.4**	**22.7**	**51.0**	**-55.5%**
Underlying Basic Earnings per Share*	**22.9p**	**24.3p**	**24.5p**	**-0.8%**

*+Before IFRS 16, before non-underlying items and on a 52-week basis. *Alternative performance measures are defined and reconciled to IFRS amounts in the glossary on page 18.*

Key Highlights

- Underlying PBT was £55.9m, ahead of guidance despite the late impact of COVID-19. Excluding acquisitions and the impact of COVID-19, underlying PBT would have been in line with last year.
- In Retail:
  - Overall sales were -2.7% (-2.3% LFL) lower than last year, with a strong Cycling performance not fully offsetting a tough market for Motoring products.
  - Cycling sales grew +2.3%, boosted by our H1 investment in store merchandising and bike ranges, improving both the customer experience and the financial returns of the category.
  - In Motoring, we continued to take market share in core categories, but sales of big-ticket discretionary products and winter items were weaker. Despite the very mild winter, sales of 3Bs ("Bulbs, Blades, Batteries") grew over the full year, demonstrating the strength of our related services offer.
- Autocentres revenue grew +18.8% (+1.4% LFL), boosted by the acquisitions of McConechy's and Tyres on the Drive ("ToTD") in H2. The underlying Autocentres business, excluding acquisitions, continued to make good progress on its strategic execution, increasing EBIT by over +40% year-on-year to £7.8m.

- Group gross margin improved by 27bps, with underlying improvements more than offsetting the dilutive impact of acquisitions.
- Operating costs were tightly controlled, reducing by -0.5% year-on-year excluding acquisitions. Our strong focus on efficiency and procurement savings outweighed inflationary pressures and strategic investments.
- Strong cash generation maintained, with Free Cash Flow of £54.6m, having delivered further improvement on working capital, which on average was £10.6m lower than last year. Net debt was £73.2m, £8.6m lower than last year and 0.8x underlying EBITDA.
- Non-underlying items were £32.1m, the majority of which related to the previously announced exit of Cycle Republic.

Graham Stapleton, Chief Executive Officer, commented:
"This has been another year of good progress against the backdrop of a retail market that was challenging even before the emergence of the COVID-19 pandemic. We are particularly pleased to have delivered strong revenue growth in Group Services (+9%), Online (+17%) and B2B (+25%), which are our main areas of strategic focus. Our Autocentres business grew strongly, boosted by the acquisitions of both McConechy's and Tyres on the Drive, and more broadly in motoring services we expanded our fleet of Mobile Expert vans from 3 to 75. This was particularly timely given strong demand for at-home services.

The start of the current financial year has of course been dominated by the impact of COVID-19, and our status as an essential retailer was a clear endorsement of the wider role that Halfords has to play in keeping the UK moving. Having responded quickly and decisively to cater for the surge in popularity of cycling during lockdown, we are now seeing increased demand for motoring services and products as people start using their cars regularly again having not done so for the last few months.

Despite the wider uncertainty caused by COVID-19, we remain confident in the long-term prospects for Halfords given the strong macro tailwinds within our market-leading Motoring and Cycling businesses. The strong progress we have made in FY20 and in the first quarter of FY21 has been made possible by the hard work and dedication of our thousands of colleagues, who I am proud to work alongside".

Current trading and liquidity update
Halfords is classified as an essential retailer by the UK Government and, as such, has continued to trade despite the COVID-19 pandemic. For the majority of the first quarter of the current financial year ("the period"), we have operated from a reduced Retail estate on a 'dark-store' basis, serving customers at the store entrance to ensure both colleague and customer safety. We have gradually increased the number of 'dark stores' open during April and May and converted some of these to 'Lite' stores from 27 May. 'Lite' stores are fully open but limit the number of customers allowed inside at any one time to ensure appropriate physical distancing measures. As of 3 July, 359 stores are trading under the 'Lite' format, 8 under the 'dark-store' format, and 77 remain closed. Autocentres has operated from a reduced number of garages across Q1, with open garages increasing during May and June and was fully reopened by 3 July. Significant safety measures have been in place throughout the period in both Retail and Autocentres.

Group sales for the 13 weeks to 3 July were -2.8% below last year and -6.5% on a LFL basis, significantly better than anticipated in late-March and an improvement on the -23% LFL decline for the four weeks to 1 May that we reported on 6 May 2020. Sales in our online channel were very strong, up 200% year-on-year in Q1, highlighting the value of the investment in our new web platform, which dealt well with the unprecedented shift to online ordering during the COVID-19 lockdown, when physical store operations were severely curtailed.

Our Cycling business has performed very strongly throughout the period, up +57.1% on a LFL basis, significantly boosted by the avoidance of public transport, favourable weather conditions and increased adoption of cycling as a health and leisure activity. The easing of the lockdown has led to the gradual reopening of schools and workplaces, and while public transport is avoided and road congestion increases, cycling is becoming an essential way of commuting for many people. For consumers with older bikes, which we estimate could amount to 7m in the UK, servicing and repairs have proved an inexpensive and popular way to reengage in cycling, with cycling service-related revenue up 41.9% on a LFL basis in the 4 weeks to 3 July. Alongside mainstream cycling, our performance cycling business, Tredz, has also traded very strongly, up 87.3% year-on-year on a LFL basis, benefitting from the successful transfer of inventory and customers from our Cycle Republic business, which closed in April.

Motoring revenue was down -45.4% LFL, reflecting a material drop in car journeys across the UK impacting this higher margin category. We have seen improving trends in Motoring in recent weeks as the lockdown has eased, boosted by the performance of stores open for customer browsing in the 'Lite' format. Essential categories performed well after the gradual increase of cars on the road, with batteries and battery care products in high demand.

Autocentres revenue was +14.8% higher than last year and -19.2% lower on a LFL basis, but this improved significantly in recent weeks as lockdown has eased, motoring journeys have increased and the garage estate has reopened. Despite the Government's 6-month extension of MOT expiry dates, we have seen increasing demand in recent weeks for MOTs and related servicing and repair, demonstrating the essential nature of these services. Halfords Mobile Expert has seen a record number of jobs per day, with more customers opting to have their cars serviced from the safety of their homes. All 75 of our vans have been well utilised throughout Q1, delivering record average jobs per day at peak times.

Reflecting the challenging environment, and as previously announced, we have implemented a range of measures to reduce costs and preserve cash, including suspending the dividend, reducing goods-not-for-resale spend and making use of the Government's business rates relief and wage support schemes. As of 3 July, we had £200m of total liquidity available in our existing RCF and overdraft facilities and £10m of cash. Alongside an amendment to existing covenants, we have also secured a further £25m of additional funding through the Government's CLBILS scheme, which we consider as contingency funding.

Our positive trading performance in Q1 and the additional measures we have taken give us confidence in our ability to trade through the pandemic and end the year in a sound financial position.

Outlook

Despite a better than anticipated trading performance in Q1, the uncertainty that currently exists because of COVID-19 means that we have withdrawn guidance for FY21. Although trading has been ahead of the scenario we shared on 25 March 2020, we remain cautious on the months ahead. We have developed three trading scenarios to model a range of potential outcomes, including the estimated impact on profit and net debt.

The table below shows our updated scenarios for possible revenue outturns in FY21:

LFL revenue growth (YOY%)	Scenario 1	Scenario 2	Scenario 3
Quarter 1	-6.5%	-6.5%	-6.5%
Rest of year	-10.5%	-7.5%	-4.5%
Full year	**-9.5%**	**-7.5%**	**-5.0%**

We saw a relatively strong performance in Q1, part of which may have been boosted by a pull-forward in cycling sales given the customer response to lockdown and favourable weather conditions during the period. We believe cycling demand will remain strong throughout the year and we will work hard to supply these unprecedented levels of demand. We expect a shift towards commuter bikes, as people return to workplaces and cycling infrastructure improves, and we expect bike servicing and repairs to become more in-demand as consumers take advantage of the Government's voucher repair scheme. We also expect motoring demand to improve during the year, as car journeys pick-up, workplaces and schools reopen and our retail stores can open with fewer safety restrictions in place. The transmission risk of COVID-19 is significantly higher in confined indoor spaces, meaning that car journeys will be seen as a safer alternative to public transport and, as winter approaches, a more pragmatic and comfortable alternative to cycling and walking.

As lockdown restrictions ease, we expect an improving trend throughout the year, with H2 profitability expected to be improved on H1. An economic contraction and low levels of consumer confidence will inevitably dampen demand for discretionary products, but we are well positioned to deliver essential and less discretionary products and services in both our Retail and Autocentres businesses, demonstrating again the resilience and strength of the Group.

Based on the revenue scenarios above, we estimate the following range of possible profit and net debt outcomes:

FY21, £m	**Scenario 1**	**Scenario 2**	**Scenario 3**
Underlying Profit Before Tax	-£10m to £0m	£0m to +£10m	+£10m to +£20m
Net debt	£55m - £65m	£45m - £55m	£35m - £45m

It seems likely that our mix will remain biased towards cycling and away from motoring in the short-term. Although this tailwind is welcome, cycling is a lower margin, more capital-intensive segment than motoring and, as such, the incremental benefit to Group profit will be lower. We announced in November 2019 that whilst Cycling remains an important growth driver of the Group, we will focus our efforts on improving the profitability and returns of this segment. We have made good progress since then and are encouraged by the opportunity that lies ahead.

In each of these scenarios we have forecast a significant reduction in variable and discretionary costs, such that the profit differential between the scenarios is driven principally by the sales outturn. In addition to the cost reductions assumed, we are working on a more strategic reduction of our cost base to lay a strong foundation for FY22. In all these scenarios we have significant liquidity available throughout the financial year.

Clearly this is a time of unprecedented challenge for the retail sector. We are only three months into FY21 and the COVID-19 pandemic, and as such the short-term future is very uncertain, but our focus is on preparing the Group for all possible outcomes. The scenarios we have laid out are neither guidance or forecasts but are aimed at giving some insight into the impact on Group profitability and net debt under different sales outcomes, which are illustrative only. Our weekly trading performance informs our decision making, ensuring we remain agile in managing costs, inventory and strategic investments.

Whatever the future holds, we remain confident in the long-term prospects of the Group and its ability to adapt to new challenges. We have a large and growing Services business, market-leading Motoring and Cycling businesses with strong macro tailwinds, and an experienced management team supported by thousands of dedicated colleagues.

For information purposes: Revenue growth across the year

	26 weeks ended 27 September 2019 % change	14 weeks ended 3 January 2020 % change	12 weeks ended 27 March 2020 % change	52 weeks ended 27 March 2020 % change	11 weeks ended 20 March 2020 % change	51 weeks ended 20 March 2020 % change
TOTAL REVENUE						
Halfords Group	**-2.9**	**+4.6**	**+2.3**	**+0.3**	**+4.3**	**+0.8**
Retail	-3.8	+0.6	-4.9	-2.7	-2.7	-2.2
Autocentres	+3.2	+31.2	+36.3	+18.8	+37.6	+19.2
LFL REVENUE						
Halfords Group	**-2.4**	**+1.3**	**-4.0**	**-1.8**	**-2.4**	**-1.3**
Retail	-3.1	+0.8	-4.2	-2.3	-2.6	-1.8
Motoring	-5.3	-2.7	-8.4	-5.3	-4.6	-4.4
Cycling	+0.2	+5.9	+2.2	+2.3	+1.0	+2.1
Autocentres	+2.1	+4.6	-2.9	+1.4	0.0	+2.2

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Results presentation
A conference call for analysts and investors will be held today, starting at 09:00am UK time. Attendance is by invitation only. A copy of the presentation and a transcript of the call will be available at www.halfordscompany.com in due course. For further details please contact Powerscourt on the details above.

Next trading statement
On 8 September 2020 we will report our trading update for the 20 weeks ending 21 August 2020.

Notes to Editors

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

Halfords is the UK's leading provider of motoring and cycling services and products. Customers shop at 446 Halfords stores, 3 Performance Cycling stores (trading as Tredz and Giant), 371 garages (trading as Halfords Autocentres and McConechy's) and have access to 75 mobile service vans (trading as Halfords Mobile Expert and Tyres on the Drive). Customers can also shop at halfords.com and tredz.co.uk for pick up at their local store or direct home delivery, as well as booking garage services online at halfords.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.

Operational review

Retail

Over the full year, Retail revenue of £950.6m was -2.3% below last year on a LFL basis. Week 52 of FY20 was materially impacted by COVID-19 and, as such, sales up to week 51 were better at -1.8% LFL.

Motoring

Our market share continued to grow in core motoring categories against a backdrop of low consumer confidence and mild winter weather. Overall LFL sales declined -5.3% for the full year and -4.4% up to week 51. We performed well in the more resilient and less discretionary categories such as 3Bs, which grew +2.4%, Child Safety products, which grew +9.1% as we gained share from weaker competitors, and Car Security, which was up +14%. As in Cycling, we continue to innovate, successfully introducing a 'weCheck' services offer into the proposition on a free and paid-for basis.

Cycling

Cycling performed strongly in H2, resulting in +2.3% LFL growth for the year and three successive quarters of growth. Sales of E-bikes, which were up +45% year-on-year and accounted for nearly 20% of adult bikes, benefited from improved merchandising in stores and high customer demand, and Adult Mechanical and Kids bikes also grew over the full year. Our own-brand and exclusive ranges of electric bikes, mechanical bikes and scooters offer our customers unrivalled levels of choice and value and we continue to bring new and innovative products to the market. We are well positioned to serve the increasing demand for these products and, as the largest national provider of cycling services, we are also ready to support customers beyond their first purchase.

Retail gross margin

Retail gross margin increased by 20bps with strong progress across both Motoring and Cycling. In line with our strategy to improve Cycling profitability, gross margins increased +117bps versus last year, driven by significant improvements in adult bikes. In Motoring, gross margin was up +138bps year-on-year, helping to offset the adverse mix impact of lower Motoring sales. Our strong margin performance was driven by several factors, including buying efficiencies and better focussed promotions.

Retail operating costs

Retail operating costs were well managed and declined -1.5% year-on-year, before the impact of IFRS 16. This was the result of a sharp focus on operational efficiency and improved procurement discipline, the benefits of which more than offset important strategic investments and ongoing inflationary pressures such as national minimum wage increases.

Autocentres

Full year Autocentres revenue was £191.8m, growing 18.8% year-on-year and +1.4% on a LFL basis. Autocentres was also subject to a material COVID-19 impact with sales up to week 51 stronger, at +2.2% LFL. The acquisitions of McConechy's and Tyres on the Drive during H2 provide a significant opportunity in the medium term as we successfully integrate these businesses into the Group. The underlying business, excluding the acquisitions, increased EBIT by over 40% to £7.8m, the third consecutive year of strong profit growth. This reflects the development of an enhanced operating model which also led to a significant improvement in customer service scores.

Group Services

Group Services revenue, which comprises fitting and repair services and the associated product, grew +8.9%, representing 26% of Group sales in FY20. We continued to expand our range of services, adding *we*Check and new cycle care services in Retail, trialling on-demand fitting in Autocentres, and expanding our Mobile Expert vans from 3 to 75. Growth in Services is a critical part of our strategy and our ability to provide these from approximately 900 fixed and mobile locations across the UK provides customers with a convenience unmatched by any other UK business.

Online

Group online sales had another very strong year, with revenue growth of +17%, now accounting for 24% of Group sales in FY20. Growth was strong before and after the launch of our new Group web platform in February 2020, which provides customers with a vastly improved digital experience and, for the first time, gives them access to an integrated services offer across mobile, stores and garages through one website. The new web platform coped well with an unprecedented shift to online ordering during the COVID-19 lockdown, when physical store operations were severely curtailed. The importance of our store network, colleague expertise and services proposition continued to be evidenced by the strength of Click & Collect, with over 80% of orders placed on Halfords.com picked up in stores.

B2B

Group B2B sales grew +25% year-on-year and represented 15% of Group sales in FY20. In the past year we have focussed on developing deeper relationships with key strategic partners to support growth within our key markets. This has been supported by investment in our technology infrastructure to streamline key customer & client processes. We have also broadened our proposition range to expand our B2B offering within motoring services.

Progress on strategy in FY20

To Inspire and Support a Lifetime of motoring and cycling

In November 2019 we announced an acceleration of our strategy *'To Inspire and Support a Lifetime of motoring and cycling'.* We made significant progress against our strategic objectives in FY20, which laid strong foundations to support our response to COVID-19 and positioned us well for FY21 and beyond. Notable highlights include:

- Our Group web platform launched as planned in Q4, transforming the digital customer experience and consolidating our broad services offer in one website.
- We exited Cycle Republic and the Boardman Performance Centre, enabling us to focus investment on our higher-returning mainstream offer in Halfords and our performance cycling proposition in Tredz.
- Continued development of our Halfords Mobile Expert proposition, delivering best-in-class customer service reflected by strong Trustpilot scores. The acquisition of Tyres on the Drive increased our mobile hub footprint from 1 to 7 and our van footprint from 3 to 75, providing a strong platform for future growth.

- Acceleration of our growth in Autocentres through the acquisition of McConechy's. Through this we acquired one of the UK's leading garage chains with 57 sites and 100 vans, establishing strong coverage in Scotland and the North of England.
- Completed the upgrade of PACE, our digital operating platform, in all Autocentres garages. PACE puts a tablet in the hands of every technician, providing customers with the assurance of quality and enabling our garages to optimise resource allocation and labour efficiency.
- Delivered significant cost savings through supply chain efficiencies, Retail productivity programmes, property savings and improved procurement practices, and reduced Working Capital by £11m on average throughout FY20.
- Strategic buying alliance agreed with Mobivia, a leading player in the European motoring products and services market. The relationship, in its early stages, is progressing well.

FY21 strategy focus

In November 2019 we announced an acceleration of our strategy, emphasising the importance of growing our motoring services and B2B businesses. The strategy remains absolutely the right direction for Halfords but, given the unprecedented impact of the COVID-19 pandemic, we are moderating our near-term plan. COVID-19 has materially changed the retail outlook for the coming months and has overshadowed Brexit as the emerging risk. We have therefore adjusted our short-term focus to reducing cost and working capital, ensuring our colleagues are engaged in the success of the business and, of particular importance, adapting quickly to new customer trends. We will continue to transform the business and develop our customer strategy in FY21, but we will put greater emphasis on responding to emerging trends and laying solid foundations for FY22. Our areas of focus in FY21 are:

- A stronger emphasis on reducing the operating costs of the Group, including but not limited to:
  - an acceleration of the right-sizing of the Group's physical estate that was already underway, with the planned closure of up to 10% of the Group's physical estate (across both stores and garages), which includes the 22 Cycle Republic stores and 5 Halfords stores and garages that we have already exited this year
  - targeted rent reductions reflecting the current market dynamics
  - a review of all GNFR contracts and the tendering of several key agreements
  - revisiting the costs of our logistics network
- Continuing to grow the profitability and returns of our core categories, particularly Cycling, through buying efficiencies, more targeted promotional campaigns and working capital reductions.
- Developing our Halfords-branded customer proposition by continuing to transform our Group web platform and digital customer experience. In addition, we will invest in expanding our Services business, leveraging our financial services offer and growing our B2B channels.
- Swiftly integrating the acquisitions of McConechy's and Tyres on the Drive, using our best-in-class technology across the Services offer.
- Continuing to develop PACE, our digital operating platform in Autocentres, with a view to transferring best practice to services delivery in retail and mobile vans.
- Expanding our Mobile Expert vans to under-served parts of the UK, increasing our original target of 100 vans to a revised target of 120 vans by the end of FY21.
- Upweighting investment in the engagement and development of our colleagues, ensuring they are strongly engaged in our transformation journey.

In FY21, we will be more focussed on delivering the most important initiatives that provide the quickest and most attractive returns, whilst building the underlying strength of the business for FY22 and beyond. We are planning for lower capital expenditure in FY21, which we now expect to be in the range of £20-30m. As trading conditions improve, however, we will seek to continue our transformation journey at pace, in line with the current strategy but adjusted for a new post COVID-19 world.

Graham Stapleton
Chief Executive Officer, July 2020
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 "FY20" accounting period represents trading for the 53 weeks to 3 April 2020 ("the financial year"). To ensure a meaningful comparison with the prior year, all commentary unless otherwise stated is for the 52-week period ending 27 March 2020 and is before non-underlying items. The impact of week 53 is described in detail below, explaining that due to the exceptional circumstances of COVID-19 the Group made an operating loss in this period. Most of our commentary on profit and cost measures is before the impact of IFRS 16, which is stated where relevant. The impact of IFRS 16 is shown in the table below and further details of this impact are provided later within this report. The comparative period "FY19" represents trading for the 52 weeks to 29 March 2019 ("the prior year").

Group Financial Results

	FY20 (53 weeks) £m	**FY20 (52 weeks) £m**	FY19 (52 weeks) £m	52 week change
Group Revenue	**1,155.1**	**1,142.4**	1,138.6	+0.3%
Group Gross Profit	**589.7**	**584.0**	579.0	+0.9%
Underlying EBIT pre-IFRS 16*	**55.4**	**58.7**	62.2	-5.6%
Underlying EBITDA pre-IFRS 16*	**92.6**	**95.3**	98.2	-3.0%
Net Finance Costs	**(2.8)**	**(2.8)**	(3.4)	-17.6%
Underlying Profit Before Tax pre-IFRS 16*	**52.6**	**55.9**	58.8	-4.9%
Net Non-Underlying Items	**(32.1)**	**(32.1)**	(7.8)	311.5%
Impact of Adopting IFRS 16	**(1.1)**	**(1.1)**	–	–
Profit Before Tax	**19.4**	**22.7**	51.0	-55.5%
Underlying Basic Earnings per Share pre-IFRS 16*	**22.9p**	**24.3p**	24.5p	-0.8%

** This report includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is shown on page 18.*

The financial year of FY20 was somewhat overshadowed by the ongoing turbulence caused by Brexit and Halfords undoubtedly felt the impact of subdued consumer confidence throughout the year. The concluding period of the financial year also saw a new and emerging threat – the COVID-19 pandemic. The impact in the closing two weeks of the year was significant with two full days of trading lost in week 52, followed by an almost complete lockdown of the UK. Yet despite seeing impacts on Group revenues from both, Halfords clearly demonstrated its resilience in delivering underlying Group PBT, pre-IFRS 16 of £55.9m. In fact, if it were not for the lost trading in week 52 and the dilutive impacts of acquisitions, the underlying Group PBT would have been in line with last year. The business worked hard to mitigate some of the top line revenue impacts through gross profit improvements and tight cost control, whilst continuing to deliver on longer term growth plans through the acquisitions of Tyres on the Drive ("ToTD") and McConechy's Tyre Services ("McConechy's") in the second half. Alongside a strong P&L result we also achieved targeted working capital reductions through more efficient stock management and improved creditor days, enabling our longer term growth strategy. That said, whilst the FY20 impact was contained within the final two weeks of trading, the pandemic is likely to materially impact the trading environment in FY21, amid significant uncertainty on the short-term outlook.

Group revenue in FY20, at £1,142.4m, was up 0.3% and comprised Retail revenues of £950.6m and Autocentres revenue of £191.8m. This compared to FY19 Group revenue of £1,138.6m, which saw Retail revenue of £977.2m and Autocentres revenue of £161.4m. Group gross profit at £584.0m (FY19: £579.0m) represented 51.1% of Group revenue (FY19: 50.9%), reflecting an increase in the Retail gross margin of 20 basis points ("bps") to 48.2% and decrease in the Autocentres gross margin of 250 bps to 65.5%. The overall Group gross profit % was impacted by both mix of product and by the acquisitions within Autocentres. Retail saw strong improvements in gross margin % compared to FY19, particularly the Cycling segment, but benefits were somewhat offset by both weaker winter product results and the relative mix into Cycling. Within

Autocentres, the underlying business performed well, improving gross profit % by 180 bps, but the overall impact was eroded by the acquisitions, which were dilutive in the near-term but offer a good longer term opportunity.

Total operating costs before non-underlying items and pre IFRS-16 saw a modest increase of 1.6% including mid-year acquisitions. Excluding these acquisitions, operating costs of the underlying businesses declined -0.5% after a continued focus on efficiency and better procurement practices. We worked hard on process efficiency in stores to mitigate National Minimum Wage increases. Lease renewal negotiations saw an average decrease of 15% and investments in store infrastructure saw energy consumption reduce by close to 20%. Cost and efficiency remain a significant opportunity for the Group and one which will see a greater focus as we move through FY21. Total underlying costs, pre IFRS-16, increased to £525.3m (FY19: £516.8m) of which Retail comprised £404.3m (FY19: £410.5m), Autocentres £118.9m (FY19: £104.2m) and unallocated costs £2.1m (FY19: £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 pre-IFRS 16 decreased 3.0% to £95.3m (FY19: £98.2m), whilst net finance costs pre-IFRS 16 were £2.8m (FY19: £3.4m).

Underlying Profit Before Tax pre-IFRS 16 for the year was down 4.9% at £55.9m (FY19: £58.8m). Non-underlying items of £32.1m in the year (FY19: £7.8m) related predominantly to the closure of Cycle Republic and Boardman Performance Centre, as well as costs related to organisational restructure and strategic review. After non-underlying items, Group Profit Before Tax was £23.8m (FY19: £51.0m).

After non-underlying items and including IFRS 16, Group Profit Before Tax was £22.7m (FY19: £51.0m). The impact on the Group of adopting IFRS 16 in the period was a £1.1m net decrease to Group Profit Before Tax. Further details on the impact of IFRS 16 is shown later in this report.

As noted earlier, FY20 was a 53-week year and therefore saw an additional week of trading included in the full year results. In a normal operating environment, this would typically result in additional profit of around £3m, but the UK lockdown announced on the 23rd March due to COVID-19 resulted in an estimated trading loss of -£3.3m. Although the Group was deemed an essential retailer and continued to trade throughout week 53, sales were materially impacted and as such resulted in the loss. At this early stage of the pandemic we operated from a very limited number of stores and garages with limited customer interaction due to social distancing.

Retail

	FY20 (53 weeks) £m	**FY20 (52 weeks) £m**	FY19 (52 weeks) £m	52 week change
Revenue	**961.0**	**950.6**	977.2	-2.7%
Gross Profit	**462.8**	**458.4**	469.3	-2.3%
Gross Margin	**48.2%**	**48.2%**	48.0%	+20bps
Operating Costs	**(410.8)**	**(404.3)**	(410.5)	-1.5%
Underlying EBIT pre-IFRS 16*	**52.0**	**54.1**	58.8	-8.0%
Non-underlying items	**(29.5)**	**(29.5)**	(8.7)	+239.4%
Impact of adopting IFRS 16	**(1.2)**	**(1.2)**	–	–
EBIT post IFRS 16	**21.3**	**23.4**	50.1	-53.3%
Underlying EBITDA pre-IFRS 16*	**81.1**	**82.7**	87.1	-5.1%

* *This report includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is shown on page [••].*

Revenue for the Retail business of £950.6m reflected, on a constant-currency basis, a like-for-like ("LFL") sales decrease of -2.3%. Total revenue in the year declined -2.7% after the impacts of closed stores are included. The Cycling performance was strong, with like-for-like growth of +2.3% rebounding from a slow start to FY20. Motoring finished the year with a like-for-like decline of –5.3%. A similar trend prevailed with results improving as the year progressed, but it was Motoring that was significantly impacted by the pandemic and lockdown from week 52.

Conversely, cycling demand was boosted by a more health conscious consumer and the avoidance of public transport. The Retail Operational Review in the Chief Executive's Statement contains 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:

	FY20 LFL (%)	**FY20 Total sales mix (%)**	FY19 Total sales mix (%)
Motoring	**-5.3**	**58.4**	60.4
Cycling	**+2.3**	**41.6**	39.6
Total	**-2.3**	**100.0**	100.0

Gross profit for the Retail business at £458.4m (FY19: £469.3m) represented 48.2% of sales, 20bps up on the prior year (FY19: 48.0%). Underlying gross margin improved more significantly than the headline number, which was diluted by product mix into lower margin cycling, and out of the motoring category, alongside gross profit adjustments for IFRS 15. The gross margin improvement reflected the significant work carried out over the last 18 months on our sourcing strategy for both bikes and motoring products, as well as our work to optimise promotional activity throughout the year. Over the year, cycling gross margins improved by 117bps and Motoring by 138bps vs FY19.

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

	FY20 full year	FY19 full year
Average USD: GBP rate reflected in cost of sales	**$1.33**	$1.32
Year-on-year movement in rate	**$0.01**	$0.03

Retail operating costs before non-underlying items and IFRS 16 were £404.3m (FY19: £410.5m) a decline of 1.5% on FY19. The focus on operational efficiency and procurement continued in FY20 and, as mentioned previously, helped to mitigate a challenging market. Our stores saw only modest increases in overall labour costs despite a 4% increase in the National Minimum Wage, as we continued with our 'We Operate 4 Less' programme. Rent costs also reduced as the market begins to reflect excess supply in the Retail rental market and we continued to negotiate improved lease terms on renewals. These initiatives were coupled with capital investments such as LED lighting, which significantly reduced energy consumption across the estate.

Autocentres

	FY20 (53 weeks) £m	**FY20 (52 weeks) £m**	FY19 (52 weeks) £m	52 week change
Revenue	**194.1**	**191.8**	161.4	+18.8%
Gross Profit	**126.9**	**125.6**	109.7	+14.5%
Gross Margin	**65.4%**	**65.5%**	68.0%	-250bps
Operating Costs	**(121.4)**	**(118.9)**	(104.2)	+14.1%
Underlying EBIT pre IFRS 16*	**5.5**	**6.7**	5.5	+21.8%
Non-underlying items	**(2.6)**	**(2.6)**	0.9	-388.9%
Impact of adopting IFRS 16	**0.1**	**0.1**	–	–
EBIT post IFRS 16	**3.0**	**4.2**	6.4	-34.4%
Underlying EBITDA pre IFRS 16*	**11.5**	**12.6**	11.1	+13.5%

* *This report includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is shown on page 18.*

Autocentres generated total revenues of £191.8m (FY19: £161.4m), an increase of 18.8% on the prior year with a LFL increase of 1.4%. Non-LFL revenue in the year included benefits from the acquisitions of both Tyres on the Drive and McConechy's Tyre Services in November 2019, alongside existing Autocentres that have been open less than 12 months.

Gross profit at £125.6m (FY19: £109.7m) represented a gross margin of 65.5%; a decrease of 250 bps on the prior year. As stated earlier, the decrease in gross margin % was solely a result of the acquisitions, which will have a dilutive effect before we migrate the product mix to servicing and repair in the future. The underlying business saw its GP% improve significantly by +180bps, with the continued development of our PACE Digital Operating Platform aiding buying efficiency across garages alongside a marginally lower mix into tyres, which tend to be lower margin. The benefits of later phases of PACE also began to be felt in Q4 with the digital operating platform improving resource allocation to jobs.

Autocentres' Underlying EBITDA before IFRS 16 of £12.6m (FY19: £11.1m) was 13.5% higher than FY19. Underlying EBIT before IFRS 16 was £1.2m (21.8%) higher than FY19 at £6.7m (FY19: £5.5m).

Portfolio Management

The total number of fixed stores or centres within the Group stood at 843, with a further 75 mobile locations. The portfolio of fixed locations as at 3 April 2020 comprised 472 stores (end of FY19: 477) and 371 Autocentres (end of FY19: 317). Mobile locations grew by 67 vans, increasing coverage of the most in-demand regions within the UK.
The following table outlines the changes in the portfolio over the year:

	Retail	Centres	Vans
Relocations	3	1	–
Leases re-negotiated	20	8	–
Refreshed	–	14	–
Openings/Acquisitions	–	57	67
Closed	4	4	–

Within Retail, the focus in year continued to be on re-laying stores to optimise the space allocated to key growth categories, including E-mobility. Four retail stores closed on the natural expiration of their leases as it was considered more profitable to the Group on consideration of the anticipated sales transfer to other channels and neighbouring stores. Although nearly all of our Retail stores continue to trade profitably, the number of lease expiries or breaks under option increases significantly within the next five years. Retail will see two-thirds of stores experience optionality within five years, allowing for a high degree of flexibility within the estate.

Within Autocentres, one centre was opened and 57 locations acquired in the year. Four were closed, taking the total number of Autocentre locations to 371 as at 3 April 2020 (end of FY19: 317). Fourteen Autocentres were refreshed in the year (FY19: 8).

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 five to 15-year term at inception and with an average lease length of under six years.

Net Non-Underlying items

The following table outlines the components of the non-underlying items recognised in the 53 weeks ended 3 April 2020:

	FY20 £m	FY19 £m
Organisational restructure costs (a)	**2.8**	6.8
Group-wide strategic review (b)	**1.0**	2.4
One-off royalty income (c)	**–**	(1.6)
Acquisition and investment-related fees (d)	**1.9**	0.2
One-off claims (e)	**0.8**	–
Closure costs (f)	**25.6**	–
Net non-underlying items pre IFRS 16	**32.1**	7.8
Closure costs (f)	**1.2**	–
Impairment of right-of-use assets (g)	**0.9**	–
Net non-underlying items post IFRS 16	**34.2**	7.8

a. In the current and prior period, separate and unrelated organisational restructuring activities were undertaken. Current period costs comprised:

- Redundancy and transition costs of £1.4m relating to roles which have been outsourced or otherwise will not be replaced (FY19: £1.5m); and
- £1.4m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites (FY19: £5.3m)

b. In the current and prior periods, costs were incurred in preparing and implementing the new Group strategy.
   - £0.4m of external consultant costs (FY19: £2.0m); and
   - £0.6m of store labour costs, point-of-sale equipment and other associated costs in completing the cycling space re-lay across the store estate (FY19: £nil).

   Prior period costs also included £0.4m of warehouse and distribution costs in order to align our network with the new strategy.

c. A one-off royalty income was received in the prior period in relation to the use of a software license.

d. In the current and prior periods, costs were incurred in relation to the investment in McConechy's Tyre Services and Tyres on the Drive. Tyres on the Drive acquisition costs comprise £1m principally relating to the costs of dual running Halfords Mobile Expert and Tyres on the Drive, as well as the write-off of the receivables balance due from Tyres on the Drive; and
   - £0.9m relating to professional fees in respect of the acquisition of McConechy's Tyre Services
   - £0.2m of costs were incurred in the prior period in relation to the investment in Tyres on the Drive and costs relating to a potential acquisition which did not progress.

e. During the year, a provision was created for expected costs of settling an ongoing court case, which was then settled during the second half of the period. In addition, a provision of £0.6m has been recognised in relation to the audit by HMRC relating to the national minimum wage.

f. Closure costs represent costs associated with the proposed closure of the operations of Cycle Republic and the Boardman Performance Centre ("Cycle Republic") following a strategic review of the Group's cycling businesses. The provision mostly relates to the impairment of right-of-use assets, as well as the impairment of intangible and tangible assets and inventories.

g. In light of the ongoing COVID-19 pandemic, the Group has revised future cash flow projections for stores and garages. As a result, £0.9m incremental impairment has been recognised in relation to garages where the current and anticipated future performance does not support the carrying value of the right-of-use asset and associated tangible assets. This charge is directly attributable incremental impairment due to COVID-19 and relates primarily to the right-of-use asset value.

Finance Expense

The net finance expense (before non-underlying items and IFRS 16) for the 53 weeks ended 3 April 2020 was £2.8m (FY19: £3.4m) reflecting lower average levels of net debt throughout the year.

Taxation

The taxation charge on profit for the 53 weeks ended 3 April 2020 (before IFRS 16) was £2.8m (FY19: £9.1m), including a £4.7m credit (FY19: £1.4m credit) in respect of non-underlying items. The effective tax rate of 13.9% (FY19: 17.8%) differs from the UK corporation tax rate (19%) principally due to the impact of overseas tax rates, adjustments in respect of prior periods now closed with HM Revenue and Customs and the impact of the rate change in deferred tax recognised in the balance sheet.

Earnings Per Share ("EPS")

Underlying Basic EPS before IFRS 16 was 22.9 pence and after non-underlying items 8.9 pence (FY19: 24.5 pence and 21.2 pence after non-underlying items), a 6.5% and 58.0% decrease on the prior year. Basic weighted-average shares in issue during the year were 197.0m (FY19: 197.1m).

Dividend ("DPS")

In light of the COVID-19 pandemic and the likely impact on short-term profitability, the Board has taken a series of measures to preserve cash, one of which is a suspension of the dividend. The final dividend payment is therefore nil, taking the full year ordinary dividend to 6.18 pence (FY19: 18.57p per share).

Capital Expenditure

Capital investment in the 53 weeks ended 3 April 2020 totalled £35.8m (FY19: £31.0m) comprising £31.0m in Retail and £4.8m in Autocentres. Within Retail, £15.9m (FY19: £11.4m) was invested in stores, including store relocations, space optimisation and a building management system across one third of the estate to reduce energy consumption. Additional investments in Retail infrastructure included a £9.7m investment in IT systems, including development of a new Group website.

The £4.8m (FY19: £4.7m) capital expenditure in Autocentres principally related to the replacement of garage equipment and replacement of fixtures and fittings alongside the development of PACE, our Garage Workflow System.

Inventories

Group inventory held as at the year-end was £173.0m (FY19: £173.7m). Retail inventory decreased to £168.0m (FY19: £172.3m), reflecting reduced stock levels and working capital efficiencies.

Autocentres' inventory was £5.0m (FY19: £1.4m). The existing Autocentres business model is such that only modest levels of inventory are held, with most parts being acquired on an as-needed basis. The increase in inventory related to the acquisition of McConechy's Tyre Services Limited who typically hold low levels of tyres.

Cashflow and Borrowings

Adjusted Operating Cash Flow was £109.9m (FY19: £88.5m). After acquisitions, taxation, capital expenditure and net finance costs, Free Cash Flow of £54.6m (FY19: £42.7m) was generated in the year. Group Net Debt was £73.2m (FY19: £81.8m), with the Underlying EBITDA ratio at 0.8:1. All these numbers are pre IFRS 16.

Adoption of IFRS 16 "Leases"

The Group has initially applied IFRS 16 "Leases" as at 30 March 2019. A right-of-use asset and a lease liability is included on the Consolidated Statement of Financial Position, and depreciation and interest has been charged to the Consolidated Income Statement instead of existing rental charges and operating expenses.

Discount rates ranging between 0.76% and 3.94% have been applied based on UK Government Gilt rates of an appropriate duration and adjusted by an indicative credit premium.

The Group has adopted the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application.

A summary of the impact on the Group income statement and balance sheet for the 53 weeks ended 3 April 2020 is as follows:

Impact on the Consolidated Income Statement:	**FY20 £m**	FY19 £m
Operating costs:		
Rent	**85.8**	–
Depreciation	**(72.6)**	–
Foreign exchange and impairment	**(1.4)**	
Net impact on Operating costs	**11.8**	–
Finance costs (interest)	**(10.8)**	–
Net impact on underlying Profit Before Tax	**1.0**	–
Non-underlying costs	(2.1)	
Net impact on Profit Before Tax	**(1.1)**	

The £11.8m net impact on Operating costs is comprised of £10.9m for Retail and £0.9m for Autocentres as shown above.

Impact on the Consolidated Balance Sheet:	**FY20 £m**	FY19 £m
Right-of-use asset	**349.9**	–
Lease liability	**(416.0)**	–
Retained earnings	**25.1**	–

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:

- 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.
- 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 macroeconomic 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 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 2020 Annual Report and Accounts. These include:

- Business Strategy
  –Capability and capacity to effect significant levels of business change
  –Stakeholder support and confidence in strategy
  –Brands appeal and market share
  – Value proposition

- Financial
  –Brexit
  –Sustainable business model

- Operational
– COVID-19
  – IT infrastructure failure
  –Skills shortage
  –Staff engagement / culture
  – Critical physical infrastructure failure (including supply chain disruption)

- Compliance
  –Regulatory and compliance
  –Service Quality
  –Cyber and data security

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
7 July 2020

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. All numbers are shown pre-IFRS 16 (on an IAS 17 basis) to enable comparability with the prior period performance:

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. 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.
4. Underlying Earnings Per Share is Profit after income tax before non-underlying 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.

	FY20 Pre IFRS 16 £m	**FY20 Post IFRS 16 £m**	FY19 £m
Cash & cash equivalents	**115.5**	**115.5**	9.8
Borrowings – current	**(1.8)**	**(83.4)**	(18.5)
Borrowings – non-current	**(186.9)**	**(511.9)**	(73.1)
Net Debt*	**(73.2)**	**(479.8)**	(81.8)

*The statutory 53-week period to 3 April 2020 comprises reported results that are non-comparable to the 52-week period reported in the previous period.

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.

	FY20 Pre IFRS 16 £m	**FY20 Post IFRS 16 £m**	FY19 £m
Underlying EBIT	**55.4**	**67.2**	62.2
Depreciation, amortisation & impairment	**37.2**	**118.7**	36.0
Underlying EBITDA	**92.6**	**185.9**	98.2
Non-underlying operating expenses	**(32.1)**	**(34.2)**	(7.8)
EBITDA	**60.5**	**151.7**	90.4
Share-based payment transactions	**1.0**	**1.0**	0.3
Loss on disposal of property, plant & equipment	**2.8**	**2.8**	5.5
Working capital movements	**48.7**	**52.0**	(10.4)
Provisions movement and other	**(3.1)**	**(3.1)**	2.7
Adjusted Operating Cash Flow*	**109.9**	**204.4**	88.5

*The statutory 53-week period to 3 April 2020 comprises reported results that are non-comparable to the 52-week period reported in the previous period.

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.

	FY20 Pre IFRS 16 £m	**FY20 Post IFRS 16 £m**	FY19 £m
Adjusted Operating Cash Flow	**109.9**	**204.4**	88.5
Capital expenditure	**(34.1)**	**(33.6)**	(29.4)
Net finance costs	**(2.4)**	**(13.2)**	(3.1)
Taxation	**(16.3)**	**(16.3)**	(12.7)
Exchange movements	**(2.5)**	**(2.0)**	(0.3)
Arrangement fees on loans	**–**	**–**	(0.3)
Free Cash Flow*	**54.6**	**139.3**	42.7

*The statutory 53-week period to 3 April 2020 comprises reported results that are non-comparable to the 52-week period reported in the previous period.

Halfords Group plc

Consolidated Income Statement

For the 53 weeks to 3 April 2020

For the period		53 weeks to 3 April 2020			52 weeks to 29 March 2019		
		Before Non-underlying items	**Non-underlying items (note 4)**	**Total**	Before Non-underlying items	Non-underlying items (note 4)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue		**1,155.1**	**-**	**1,155.1**	1,138.6	-	1,138.6
Cost of sales		**(565.4)**	**-**	**(565.4)**	(559.6)	-	(559.6)
Gross profit		**589.7**	**-**	**589.7**	579.0	-	579.0
Operating expenses	2	**(522.5)**	**(34.2)**	**(556.7)**	(516.8)	(7.8)	(524.6)
Results from operating activities	3	**67.2**	**(34.2)**	**33.0**	62.2	(7.8)	54.4
Finance costs	5	**(13.9)**	**-**	**(13.9)**	(3.4)	-	(3.4)
Finance income	5	**0.3**	**-**	**0.3**	-	-	-
Net finance expense		**(13.6)**	**-**	**(13.6)**	(3.4)	-	(3.4)
Profit before income tax		**53.6**	**(34.2)**	**19.4**	58.8	(7.8)	51.0
Income tax expense	6	**(6.9)**	**5.0**	**(1.9)**	(10.5)	1.4	(9.1)
Profit for the financial period attributable to equity shareholders		**46.7**	**(29.2)**	**17.5**	48.3	(6.4)	41.9
Earnings per share							
Basic earnings per share pre/post IFRS 16	8	**22.9p/23.7p**		**8.9p/8.9p**	24.5p		21.2p
Diluted earnings per share pre/post IFRS 16	8	**22.5p/23.3p**		**8.8p/8.7p**	24.2p		21.0p

The notes on pages 25 to 33 are an integral part of these condensed consolidated financial statements.

**The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see Note 1).*

Consolidated Statement of Comprehensive Income

For the 53 weeks to 3 April 2020

	Notes	**53 weeks to 3 April 2020 £m**	52 weeks to 29 March 2019 £m
Profit for the period		**17.5**	41.9
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**7.9**	7.4
Change in fair value of investment		**-**	(8.1)
Income tax on other comprehensive income	6	**(0.7)**	-
Other comprehensive income for the period, net of income tax		**7.2**	(0.7)
Total comprehensive income for the period attributable to equity shareholders		**24.7**	41.2

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

*The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application (see Note 1).

The notes on pages 25 to 33 are an integral part of these condensed consolidated financial statements.

Halfords Group plc

Consolidated Statement of Financial Position

For the 53 weeks to 3 April 2020

	3 April 2020	29 March 2019 (Restated)#	30 March 2018 (Restated)#
	£m	£m	£m
Assets			
Non-current assets			
Intangible assets	**395.7**	387.4	393.9
Property, plant and equipment	**83.1**	97.3	101.3
Right-of-use assets	**349.9**	-	-
Deferred tax asset	**7.3**	-	-
Investments	**-**	-	8.1
Total non-current assets	**836.0**	484.7	503.3
Current assets			
Inventories#	**173.0**	173.7	183.8
Trade and other receivables	**53.5**	59.1	56.0
Derivative financial instruments	**8.7**	3.2	0.3
Current tax assets	**8.2**	-	-
Cash and cash equivalents	**115.5**	9.8	27.0
Total current assets	**358.9**	245.8	267.1
Total assets	**1,194.9**	730.5	770.4
Liabilities			
Current liabilities			
Borrowings	**(0.2)**	(18.5)	(20.8)
Derivative financial instruments	**(1.1)**	(1.4)	(5.4)
Lease liabilities	**(83.2)**	-	-
Trade and other payables	**(217.0)**	(176.4)	(187.0)
Current tax liabilities	**-**	(3.3)	(3.3)
Provisions	**(9.7)**	(15.1)	(11.9)
Total current liabilities	**(311.2)**	(214.7)	(228.4)
Net current assets	**47.7**	31.1	38.7
Non-current liabilities			
Borrowings	**(179.1)**	(73.1)	(94.0)
Lease liabilities	**(332.8)**	-	-
Trade and other payables	**(1.9)**	(28.1)	(31.2)
Deferred tax liability	**-**	(0.1)	(2.7)
Provisions	**(4.1)**	(5.2)	(3.9)
Total non-current liabilities	**(517.9)**	(106.5)	(131.8)
Total liabilities	**(829.1)**	(321.2)	(360.2)
Net assets	**365.8**	409.3	410.2
Shareholders' equity			
Share capital	**2.0**	2.0	2.0
Share premium	**151.0**	151.0	151.0
Investment in own shares	**(10.0)**	(10.0)	(9.4)
Other reserves	**4.9**	1.9	(2.9)
Retained earnings	**217.9**	264.4	269.5
Total equity attributable to equity holders of the Company	**365.8**	409.3	410.2

*The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see Note 1).

See Note 11

The notes on pages 25 to 33 are an integral part of these condensed consolidated financial statements.

Halfords Group plc

Consolidated Statement of Changes in Shareholders' Equity

For the 53 weeks to 3 April 2020

	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**
Prior year adjustment	-	-	-	-	-	(11.7)	(11.7)
Balance at 30 March 2018 (restated)	**2.0**	**151.0**	**(9.4)**	**0.3**	**(3.2)**	**269.5**	**410.2**
Impact of adoption of IFRS 15	-	-	-	-	-	(3.3)	(3.3)
Adjusted balance at 30 March 2018	**2.0**	**151.0**	**(9.4)**	**0.3**	**(3.2)**	**266.2**	**406.9**
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**
Changes 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 gain and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	(2.6)	-	**(2.6)**
Transactions with owners							
Own shares acquired							
Share options exercised	-	-	(1.0)	-	-	-	**(1.0)**
Share-based payment transactions	-	-	0.4	-	-	-	**0.4**
Income tax on share-based payment transactions	-	-	-	-	-	0.3	**0.3**
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**	**264.4**	**409.3**

The notes on pages 25 to 33 are an integral part of these condensed consolidated financial statements.

Halfords Group plc

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**
Closing balance at 29 March 2019 (restated)	**2.0**	**151.0**	**(10.3)**	**0.3**	**1.6**	**264.4**	**409.3**
Adjustment on initial application of IFRS 16	-	-	-	-	-	(25.1)	(25.1)
Adjusted balance at 29 March 2019	**2.0**	**151.0**	**(10.0)**	**0.3**	**1.6**	**239.3**	**384.2**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	17.5	**17.5**
Other comprehensive income							
Fair value changes in the period	-	-	-	-	7.9	(2.3)	**5.6**
Income tax on other comprehensive income	-	-	-	-	(0.7)	(0.8)	**(1.5)**
Total other comprehensive income for the period net of tax	-	-	-	-	7.2	(3.1)	**4.1**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**7.2**	**14.4**	**21.6**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	(4.2)	-	(4.2)
Transactions with owners							
Share options exercised							
Share-based payment transactions	-	-	-	-	-	1.0	**1.0**
Income tax on share-based payment transactions	-	-	-	-	-	(0.2)	**(0.2)**
Dividends to equity holders	-	-	-	-	-	(36.6)	**(36.6)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(35.8)**	**(35.8)**
Balance at 3 April 2020	**2.0**	**151.0**	**(10.0)**	**0.3**	**4.6**	**217.9**	**365.8**

*The Group has initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application (see Note 1).

** See Note 11

The notes on pages 25 to 33 are an integral part of these condensed consolidated financial statements.

Halfords Group plc

Consolidated statement of cash flows

For the 53 weeks to 3 April 2020

	Notes	**53 weeks to 3 April 2020 £m**	52 weeks to 29 March 2019 £m
Cash flows from operating activities			
Profit after tax for the period, before non-underlying items		**46.7**	48.3
Non-underlying items		**(29.2)**	(6.4)
Profit after tax for the period		**17.5**	41.9
Depreciation – property, plant and equipment		**24.3**	23.0
Impairment – property, plant and equipment		**5.4**	-
Amortisation and impairment of right-of-use assets		**83.0**	-
Amortisation – intangible assets		**11.4**	13.0
Net finance costs		**13.6**	3.4
Loss on disposal of property, plant and equipment and intangibles		**2.8**	5.5
Equity-settled share-based payment transactions		**1.0**	0.3
Exchange movement		**(2.0)**	(0.3)
Income tax expense		**1.9**	9.1
Decrease in inventories		**3.9**	11.9
Decrease/(increase) in trade and other receivables		**3.7**	(3.1)
Increase/(decrease) in trade and other payables		**44.4**	(19.2)
(Decrease)/increase in provisions		**(3.1)**	2.7
Income tax paid		**(16.3)**	(12.7)
Net cash from operating activities		**191.5**	75.5
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(10.9)**	-
Purchase of investment		**-**	(0.5)
Purchase of intangible assets		**(12.5)**	(11.0)
Purchase of property, plant and equipment		**(21.1)**	(18.4)
Net cash used in investing activities		**(44.5)**	(29.9)
Cash flows from financing activities			
Net proceeds from share options and purchase of own shares		**-**	(0.6)
Finance income received		**0.3**	-
Finance costs paid		**(13.5)**	(3.1)
Repayment of loan following acquisition		**(1.8)**	-
Proceeds from loans, net of transaction costs		**1,377.0**	1,138.7
Repayment of borrowings		**(1,262.0)**	(1,159.0)
Payment of capital element of leases (2019: payments made on finance leases)		**(87.7)**	(0.6)
Dividends paid		**(36.6)**	(35.9)
Net cash used in financing activities		**(24.3)**	(60.5)
Net increase/(decrease) in cash and bank overdrafts	9	**122.7**	(14.9)
Cash and cash equivalents at the beginning of the period		**(7.4)**	7.5
Cash and cash equivalents at the end of the period	9	**115.3**	(7.4)

The notes on pages 25 to 33 are an integral part of these condensed consolidated financial statements.

1. General information and basis of preparation

The financial information set out below does not constitute the Group's statutory accounts for the periods ended 3 April 2020 or 29 March 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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 53 weeks to 3 April 2020, whilst the comparative period covered the 52 weeks to 29 March 2019.

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"), share-based payments (IFRS 2 "Share-based payment" and leases (IFRS 16 "Leases").

Adoption of new and revised standards

Other than IFRS 16, there are no new or amended standards effective in the period which has had a material impact on the consolidated financial information.

IFRS 16 "Leases"

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

a. **Transition Method and Practical Expedients Utilised**

The Group has applied IFRS 16 using the modified retrospective transition approach, with recognition of transitional adjustments on the date of initial application (30 March 2019), without restatement of comparative figures.

Previously, the Group determined at the inception of a contract whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 30 March 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Reliance on previous assessments on whether leases are onerous;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At the commencement date of property leases the Group determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

b. **Right-of-use assets**

The Group recognises a right-of-use asset at the lease commencement date. The right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to the majority of the Retail property portfolio; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

Subsequent to measurement right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter.

c. **Lease liabilities**

The lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 30 March 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. Judgement is required to determine an approximation, calculates based on UK Government Gilt rates of an appropriate duration and adjusted by an indicative credit premium and a lease specific adjustment. The range of rates applied was 0.76% to 3.77%.

Subsequently, the lease liability is increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured if there is a modification, a change in lease term or a changed in the fixed lease payments.

d. **Impacts on the financial statements**

The group leases many assets including properties, cars and other equipment.

As a lessee, the Group previously classified leases as operating lease or finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, except for short-term leases and leases of low-value assets.

i. ***Statement of Consolidated Financial Position***

The impact on the Statement of Financial Position on transition is summarised below:

	30 March 2019 £m
Right-of-use assets	389.1
Property, plant and equipment	(7.2)
Lease liabilities	(456.8)
Deferred tax asset	6.2
Prepayments	(13.0)
Accruals	(39.0)
Retained earnings	25.1

The table below shows a reconciliation from the total operating lease commitment as disclosed at 30 March 2019 to the total lease liabilities recognised in the accounts immediately after transition:

	30 March 2019 £m
Operating lease commitment at 29 March 2019 as disclosed in the Group's consolidated financial statements	507.6
Discounted using the incremental borrowing rate at 30 March 2019	(61.5)
Recognition exemption for lease of low-value assets/short-term leases	0.1
Finance lease liabilities recognised at 29 March 2019 under IAS 17	10.6
Total lease liabilities recognised at 30 March 2019	456.8

The Group presents right-of-use assets separately in the consolidated balance sheet.

The carrying amounts of right-of-use assets are as below:

	Property, Plant and Equipment £m
Balance at 30 March 2019	396.3
Balance at 3 April 2020	349.9

ii. ***Consolidated Income Statement***

The Group has recognised depreciation and interest costs in respect of leases that were previously classified as operating leases in the income statement for the period, rather than rental charges. During the period ended 3 April 2020, the Group recognised £72.6m of additional depreciation charges and £10.8m of additional interest costs in respect of these leases.

iii. ***Reserves***

Where the Group has chosen to implement IFRS 16 using the modified transition approach, whereby the initial right-of-use asset values were equal to the present value of the remaining lease payments there is no impact on reserves at the date of transition.

Where the cumulative approach has been adopted the mismatch between the liability and asset value at transition is taken to reserves. The Group has taken £25.1m to reserves at the start of the period.

New standards and interpretations not yet adopted

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	**53 weeks to 3 April 2020**	52 weeks to 29 March 2019
	£m	£m
Selling and distribution costs	**436.0**	424.3
	436.0	424.3
Administrative expenses, before non-underlying items	**86.5**	92.5
Non-underlying administrative expenses	**34.2**	7.8
	120.7	100.3
	556.7	524.6

3. Operating profit

For the period	53 weeks to 3 April 2020 £m	52 weeks to 29 March 2019 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
- plant and machinery	**0.6**	3.8
- property rents	**2.5**	93.1
- rentals receivable under operating leases	**(3.0)**	(3.1)
Landlord surrender premiums	**(0.6)**	(1.3)
Loss on disposal of property, plant and equipment and intangibles	**2.8**	5.5
Amortisation of intangible assets	**11.4**	13.0
Amortisation of right-of-use assets	**73.6**	-
Depreciation and impairment of:		
- owned property, plant and equipment	**24.3**	22.3
- assets held under finance leases	**-**	1.0
Impairment of:		
- owned property, plant and equipment	**-**	(0.3)
- impairment of right-of-use assets	**9.4**	-
Trade receivables impairment	**0.2**	0.1
Staff costs	**256.2**	239.4
Cost of inventories consumed in cost of sales	**563.8**	554.2

4. Non-underlying items

For the period	53 weeks to 3 April 2020 £m	52 weeks to 29 March 2019 £m
Non-underlying operating expenses:		
rganisational restructure costs (a)	**2.8**	6.8
roup-wide strategic review (b)	**1.0**	2.4
losure costs (c)	**26.8**	-
cquisition and investment related fees (d)	**1.9**	0.2
ne-off claims (e)	**0.8**	-
npairment of right-of-use assets (f)	**0.9**	-
ne-off royalty income (g)	**-**	(1.6)
on-underlying items before tax	**34.2**	4.57.8
ax on non-underlying items (h)	**(5.0)**	(1.4)
on-underlying items after tax	**29.2**	6.4

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

- Redundancy and transition costs of £1.4m relating to roles which have been outsourced or otherwise will not be replaced (FY19: £1.5m); and
- £1.4m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites (FY19: £5.3m).

(b) In the current and prior periods costs were incurred in preparing and implementing the new Group strategy.

- £0.4m of external consultant costs (FY19: £2.0m); and
- £0.6m of store labour costs, point of sale equipment and other associated costs in completing the cycling space relay across the store estate (FY19: £nil).

Prior period costs also included £0.4m of warehouse and distribution costs in order to align our network with the new strategy.

(c) Closure costs represent costs associated with the proposed closure of the operations of Cycle Republic and the Boardman Performance Centre ("Cycle Republic") following a strategic review of the Group's cycling businesses. The provision mostly relates to the impairment of right-of-use assets, intangible and tangible assets and inventories.

(d) In the current and prior periods costs were incurred in relation to the investment in McConechy's Tyre Services and Tyres on the Drive.

- Tyres on the Drive acquisition costs comprise of £1m principally relating to the costs of dual running Halfords Mobile Expert and Tyres on the Drive, as well as the write off of the receivables balance due from Tyres on the Drive related to Halfords Mobile Expert prior to acquisition; and
- £0.9m relating to professional fees in respect of the acquisition of McConechy's Tyre Services.

£0.2m of costs were incurred in the prior period in relation to the investment in Tyres on the Drive and costs relating to a potential acquisition which did not progress.

(e) During the year, a provision was created for expected costs of settling an ongoing court case, which was then settled during the second half of the period. In addition, a provision of £0.6m has been recognised in relation to the audit by HMRC relating to the national minimum wage.

(f) In light of the ongoing COVID-19 pandemic, the Group has revised future cash flow projections for stores and garages. As a result, £0.9m incremental impairment has been recognised in relation to garages where the current and anticipated future performance does not support the carrying value of the right-of-use asset and associated tangible assets. This charge is directly attributable incremental impairment due to COVID-19 and relates primarily to the right-of-use asset value.

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

(h) The tax credit of £5.0m represents a tax rate of 14.6% applied to non-underlying items. The prior period represents a tax credit at 18.0% applied to non-underlying items.

5. Finance income and costs

Recognised in profit or loss for the period	**53 weeks to 3 April 2020**	52 weeks to 29 March 2019
	£m	£m
Finance costs:		
Bank borrowings	**(1.6)**	(1.6)
Amortisation of issue costs on loans	**(0.4)**	(0.4)
Commitment and guarantee fees	**(0.6)**	(0.6)
Interest payable on lease liabilities	**(11.3)**	(0.8)
Finance costs	**(13.9)**	(3.4)
Finance income:		
Bank and similar interest	**0.3**	-
Finance income	**0.3**	-
Net finance costs	**(13.6)**	(3.4)

6. Taxation

For the period	53 weeks to 3 April 2020 £m	52 weeks to 29 March 2019 £m
Current taxation		
UK corporation tax charge for the period	**5.4**	11.5
Adjustment in respect of prior periods	**(0.5)**	0.2
	4.9	11.7
Deferred taxation		
Origination and reversal of temporary differences	**(1.5)**	(1.4)
Adjustment in respect of prior periods	**(1.5)**	(1.2)
	(3.0)	(2.6)
Total tax charge for the period	**1.9**	9.1

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

For the period	53 weeks to 3 April 2020 £m	52 weeks to 29 March 2019 £m
Profit before tax	**19.4**	**51.0**
UK corporation tax at standard rate of 19% (2019: 19%)	**3.7**	**9.7**
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.5**	**0.5**
Other disallowable expenses	**0.8**	**0.1**
Adjustment in respect of prior periods	**(1.9)**	**(1.0)**
Impact of overseas tax rates	**(0.3)**	**(0.2)**
Impact of change in tax rate on deferred tax balance	**(0.9)**	**-**
Total tax charge for the period	**1.9**	**9.1**

The tax rate was due to reduce from 19% to 17% from 1 April 2020, following changes substantively enacted on 6 September 2016. In the March 2019 Budget, it was announced that the corporation tax rate would remain at 19% from 1 April 2020. This was substantively enacted on 17 March 2020.

The deferred tax asset at 3 April 2020 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

The effective tax rate of 9.7% (2019: 17.8%) 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 and adjustment in respect of prior periods.

The tax charge for the period was £1.9m (2019: £9.1m), including a £5.0m credit (2019: £1.4m credit) in respect of tax on non-underlying items.

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 £208.0m (2019: £172.0m) with the main taxes including corporation tax of £16.3m (2019: £12.7m), net VAT of £101.4m (2019: £72.2m), employment taxes of £54.3m (2019: £48.2m) and business rates of £36.3m (2019: £39.8m).

7. Dividends

For the period	53 weeks to 3 April 2020 £m	52 weeks to 29 March 2019 £m
Equity – ordinary shares		
Final for the 52 weeks to 29 March 2019 – paid 12.39p per share (2019: 12.03p)	**24.4**	23.7
Interim for the 53 weeks to 3 April 2020 – paid 6.18p per share (2019: 6.18p)	**12.2**	12.2
	36.6	35.9

In addition, the Directors are not proposing a final dividend (2019: £24.4m at 12.39p per share) in respect of the financial period ended 3 April 2020.

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 53 weeks to 3 April 2020.

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	53 weeks to 3 April 2020 Number of shares m	52 weeks to 29 March 2019 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)	**(2.1)**	(2.0)
Weighted average number of shares for calculating basic earnings per share	**197.0**	197.1
Weighted average number of dilutive shares	**3.3**	2.1
Total number of shares for calculating diluted earnings per share	**200.3**	199.2

For the period	53 weeks to 3 April 2020 £m	53 weeks to 3 April 2020 (pre IFRS 16) £m	52 weeks to 29 March 2019 £m
Basic earnings attributable to equity shareholders	**17.5**	**17.6**	41.9
Non-underlying items (see note 4):			
Operating expenses	**34.2**	**32.1**	7.8
Tax on non-underlying items	**(5.0)**	**(4.7)**	(1.4)
Underlying earnings before non-underlying items	**46.7**	**45.0**	48.3

For the period	53 weeks to 3 April 2020	53 weeks to 3 April 2020 (pre IFRS 16)	52 weeks to 29 March 2019
Basic earnings per ordinary share	**8.9p**	**8.9p**	21.2p
Diluted earnings per ordinary share	**8.7p**	**8.8p**	21.0p
Basic underlying earnings per ordinary share	**23.7p**	**22.9p**	24.5p
Diluted underlying earnings per ordinary share	**23.3p**	**22.5p**	24.2p

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

	At 29 March 2019	Cash flow	Recognised on adoption of IFRS 16	Other non-cash changes	**At 3 April 2020**
	£m	£m	£m	£m	**£m**
Cash and cash equivalents at bank and in hand	(7.4)	122.7	-	-	**115.3**
Debt due after one year	(63.8)	(115.0)	-	(0.3)	**(179.1)**
Total net debt excluding leases	(71.2)	7.7	-	(0.3)	**(63.8)**
Current lease liabilities	(1.3)	87.7	(79.4)	(90.2)	**(83.2)**
Non-current lease liabilities	(9.3)	-	(377.4)	53.9	**(332.8)**
Total lease liabilities	(10.6)	87.7	(456.8)	(36.3)	**(416.0)**
Total net debt	(81.8)	95.4	(456.8)	(36.6)	**(479.8)**

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £0.4m (2019: £0.6m) and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £115.5m (2019: £9.8m) of liquid assets and £0.2m (2019: £17.2m) of bank overdrafts.

10. Leases

All leases where the Group is a lessee are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

IFRS 16 "Leases" was adopted on 30 March 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 30 March 2019, see note 1.

i. Amounts recognised in the consolidated statement of financial position

Right-of-Use Assets

	Land and buildings £m	**Equipment £m**	**Total £m**
At 30 March 2019	**388.5**	**7.8**	**396.3**
Additions on acquisition of subsidiary	11.1	0.3	11.4
Reclassification from intangible assets	2.4	-	2.4
Additions to right-of-use assets	10.0	1.9	11.9
Amortisation charge for the year	(70.2)	(3.4)	(73.6)
Effect of modification of lease	11.6	-	11.6
Derecognition of right-of-use assets	-	(0.7)	(0.7)
Impairment	(9.4)	-	(9.4)
At 3 April 2020	**344.0**	**5.9**	**349.9**

Lease Liabilities

	Land and buildings £m	Equipment £m	Total £m
At 30 March 2019*	**448.6**	**8.2**	**456.8**
Additions on acquisition of subsidiary	11.0	0.2	11.2
Additions to lease liabilities	10.5	1.8	12.3
Interest expense	11.1	0.2	11.3
Effect of modification to lease	11.7	-	11.7
Lease payments	(83.8)	(4.2)	(88.0)
Foreign exchange movements	0.7	-	0.7
At 3 April 2020	**409.8**	**6.2**	**416.0**

* In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17, "Leases". The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 30 March 2019, please refer to note 1.

Lease liabilities	3 April 2020 £m
Maturity analysis – contractual undiscounted cash flows	
Less than one year	92.9
Between one and two years	76.6
Between two and five years	177.0
After five years	108.7
Total contractual cash flows	455.2

ii. Amounts recognised in the consolidated income statement

	Land and buildings £m	Equipment £m	Total £m
53 weeks ended 3 April 2020			
Amortisation charge on right-of-use assets	70.2	3.4	73.6
Interest on lease liabilities	11.1	0.2	11.3
Income from sub-leasing right-of-use assets presented in 'other revenue'			
Expenses relating to short-term leases	2.5	-	2.5
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	0.6	0.6
52 weeks ended 29 March 2019			
Lease expense	93.1	3.8	96.9
Sub-lease income presented in 'other revenue'	(3.1)	-	(3.1)

iii. Amounts recognised in the consolidated statement of cash flows

The total cash outflow for leases for the period ended 3 April 2020 was £87.7m.

11. Inventories

Following a review of inventory costing during the period, the Group concluded that the historic inclusion of certain distribution centre costs within the cost of inventories and the treatment of such distribution centre costs as an operating expense rather than a cost of sale was not in line with the Group's accounting policy.

In the consolidated statement of financial position, inventories at 29 March 2019 and 30 March 2018 are stated after adjusting for this amount, and consequently retained earnings and net assets have been reduced by £11.7m. In correcting this misapplication, there is no impact on reported gross profit, operating expenses or other items in the consolidated income statement or i the consolidated statement of cash flows for the current or comparative periods.