16 June 2022

Halfords Group plc
Preliminary Results: Financial Year 2022

Strong performance vs pre-pandemic demonstrates significant transformation to the underlying business.

Ongoing focus on non-discretionary motoring services will help mitigate some macroeconomic headwinds.

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 52 weeks to 1 April 2022 ("the period").

To provide a better understanding of underlying performance, comparisons of sales, profit and debt will primarily be made **relative to FY20, that is, on a two-year basis, unless otherwise stated**. The disruption to last year (FY21) from COVID-19 means that one-year comparators are more difficult to interpret but are provided within the tables below. All numbers shown are on a **post-IFRS 16 basis and before non-underlying items**, unless otherwise stated.

FY22 Overview

- Strong revenue growth of +19.9% vs. FY20 (+6.0% vs FY21), growing market share in Retail Motoring and Autocentres, with revenues +6.5% and +91.9% respectively. Cycling growth of +2.7% despite supply chain disruption during the period.
- Strong performances in areas of strategic focus are a clear demonstration of our growing resilience: Group Services[1] grew +79%, online +77% and B2B[2] +62% vs FY20.
- The Group made three further acquisitions during FY22, the largest of which being Axle Group (referred to as "National"), making Halfords the largest Motoring Service provider in the UK with over 70% of revenues now coming from Motoring, and almost 40% from Services.
- Underlying Profit Before Tax of £89.8m, +£32.9m (+57.8%) vs. FY20 and -£9.7m (-9.7%) vs FY21. (note: includes business rates relief of £11m (FY22), £39.1m (FY21) and nil (FY20)).
- Period ended with cash of £46.1m but overall Net debt of £344.9m after IFRS16 lease debt.
- Proposed final dividend per share of 6p.
- Record Net Promoter Score ("NPS") results of 68.4, +6.1 YoY, despite the disruption caused by the pandemic.

Graham Stapleton, Chief Executive Officer, commented:

"The strength and resilience of this performance is a great illustration of Halfords' transformation over the past two years. Our strategic shift towards motoring services has delivered higher, more predictable and more sustainable returns, and our acquisitions of both National and Iverson Tyres during the year mean that we are now the UK's largest motoring service provider. Motoring now represents over 70% of Halfords' total revenue, and the fact that our products and services in this category tend to be needs-based rather than discretionary will help us to navigate our way through the well-documented macroeconomic uncertainty that we are currently seeing. We are determined to do everything that we can to help our customers during the current cost of living crisis through initiatives such as our recently launched Motoring Loyalty Club and our second hand bike exchange.

We are continuing to play a key role in helping consumers to choose electric forms of transport and are constantly investing in the training and upskilling of our technicians in this critically important area. Sales of e-bikes, e-scooters and accessories were up 74% on two years ago, and servicing for electric cars in our garages was up 140% year-on-year. We have also rolled-out free electric bike trials to encourage customers to make the switch and are the first mainstream retailer to offer an end-to-end EV charging solution for the home.

While rising inflation and declining consumer confidence will naturally present short-term challenges for any customer-facing business like ours, we remain confident in Halfords' long-term growth prospects due to our service-led strategy and the enduring strength of our brand, people, products and services."

Group financial summary**

	FY22 £m	FY20*** £m	Var FY20 £m	Var FY20 %	FY21 £m	Var FY21 £m	Var FY21 %
Revenue	1,369.6	1,142.4	227.2	+19.9%	1,292.3	77.3	+6.0%
Retail	1,001.6	950.6	51.0	+5.4%	1,039.8	-38.2	-3.7%
Autocentres	368.0	191.8	176.2	+91.9%	252.5	115.5	+45.7%
Gross Margin	721.7	584.0	137.7	+23.6%	656.3	65.4	+10.0%
Retail	510.7	458.4	52.3	+11.4%	502.0	8.70	+1.7%
Autocentres	211.0	125.6	85.4	+68.0%	154.3	56.7	+36.7%
Underlying EBITDA*	207.1	188.6	18.5	+9.8%	233.0	-25.9	-11.1%
Underlying Profit Before Tax ("PBT")*	**89.8**	**56.9**	32.9	+57.8%	99.5	-9.7	-9.7%
Profit Before Tax	**96.6**	**22.7**	73.9	+325.6%	64.5	32.1	+49.8%
Underlying Basic Earnings per Share*	35.5p	25.4p	11.8	+39.8%	41.7p	-6.2	-14.9%

Group revenue summary

	Total Revenue Vs FY20 %	LFL Revenue Vs FY20 %	Total Revenue vs FY21 %	LFL Revenue Vs FY21 %
Retail Motoring	6.5%	12.5%	22.7%	26.5%
Retail Cycling	2.7%	18.0%	-27.2%	-25.0%
Retail Total	5.4%	15.2%	-3.7%	-0.6%
Autocentres	91.9%	23.4%	45.7%	12.6%
Group	**19.9%**	**16.7%**	**6.0%**	**2.0%**

** Before non-underlying items.*
*** Alternative performance measures are defined and reconciled to IFRS amounts in the glossary on page 24. The LFL change measure adjusts for the in-year site openings and closures, and acquisitions.*
**** FY20 numbers are presented on a 52-week basis.*

Classification: Restricted

Financial highlights

- Group revenue against FY21 up +6.0% and +2.0% LFL. Our Motoring business in Retail and Autocentres has shown strong growth. Cycling sales stepped back in the context of strong comparators and supply disruption.
- In **Retail**: two-year comparisons show:
  - Retail Motoring revenue growth of +6.5% driven by +4ppts market share gains in core categories through H2, underpinned by our investments in pricing and value.
  - Retail Cycling revenue growth of +2.7% despite Kids and Mainstream bikes seeing a tougher H2 with disruption to availability. Our award-winning own brand Premium and E-bikes continued to perform well.
  - Electric mobility revenue (i.e., e-bikes, e-scooters and associated accessories) was up +74%.
- In **Autocentres**:
  - Autocentres LFL growth of +23.4% driven by continued improvements in efficiency as we utilise our Avayler software.
  - Demand for our Halfords Mobile Expert ("HME") vans proposition remains strong, growing +44% vs FY21 as we grew our fleet to 253 vans, 14 hubs and over 230 technicians.
  - Accelerating growth in demand for electric vehicle servicing, with the number of EVs being brought to our garages increasing 140% year-on-year.
- Group gross margin improved by +157bps over two years (+191bps vs FY21), driven partly by our cycling initiatives, and partly by an increasing mix into higher margin Autocentres trade.
- Operating costs increased +21% versus FY20 and held broadly flat as a proportion of revenue.
- Operating cashflow remains strong at £131.8m but below last year as working capital normalised.
- Non-underlying items totalled a credit of £6.8m, primarily a result of closed store provisions being revised as the Group continues to negotiate lease disposals.

1. Group Services includes revenues across both Retail and Autocentres and includes the revenue from services provided (e.g., car service, cycling repair, dash cam fit etc) along with any associated products sold in the same transaction.
2. B2B includes revenues from Cycle to Work, Commercial, Fleet and product sales to businesses in both Retail and Autocentres

FY23 Outlook

Over the last three years, we have built a larger and stronger services business, focused more heavily on motoring. As a result, the Group has a much higher 'needs-based' revenue stream, improving our resilience in the current macro-economic climate. However, this transformation journey is not complete and therefore we are not immune to the external challenges, with reduced demand, particularly for more discretionary, higher ticket items, and significant cost inflation impacting our financial performance.

Forecasting FY23 with any degree of certainty this early in the year is particularly challenging. Based on what we see today, we expect FY23 underlying PBT to be within the range of £65m to £75m, but we acknowledge the uncertainty that this year is likely to bring.

Whilst the macro-environment presents a challenging short-term outlook for many businesses, it reaffirms our longer-term strategy. This year, we will continue to invest to improve our customer proposition, particularly in a year where overall value will be critical, whilst simultaneously remaining agile in our operations and carefully managing our cost base. We believe we are well-positioned, given our market leadership position in both motoring and cycling, and our strong balance sheet, to emerge from this challenging trading environment in a relatively stronger position.

Classification: Restricted

Enquiries

Investors & Analysts (Halfords)
Loraine Woodhouse, Chief Financial Officer (to 16th June 2022)
Jo Hartley, Chief Financial Officer (from 16th June 2022)
Richard Guest, Corporate Finance Director
Andy Lynch, Head of Investor Relations **+44 (0) 7483 457 415**

Media (Powerscourt) **+44 (0) 20 7250 1446**
Rob Greening halfords@powerscourt-group.com
Nick Hayns

Results presentation
A results presentation and 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 7 September 2022 we will report our 20-week trading update for the period ending 19 August 2022.

Notes to Editors

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

Halfords is the UK's leading provider of motoring and cycling services and products. Customers shop at 400 Halfords stores, 3 Performance Cycling stores (trading as Tredz and Giant), 606 garages (trading as Halfords Autocentres, McConechy's, Universal and National Tyres) and have access to 253 mobile service vans (trading as Halfords Mobile Expert, Tyres on the Drive and National) and 192 Commercial vans. 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.

Classification: Restricted

Chief Executive's Statement

The Group delivered a good performance through the second half of FY22, resulting in both resilient financial results and record levels of customer satisfaction across the full year. The performance is a clear reflection of the progress we are making against our strategy, and the transformation in the business since FY20. Compared to FY20, Group revenues grew +19.9% as we increased market share in our motoring business and increased our scale through acquisitions. Underlying PBT of £89.8m, grew £32.9m ahead of FY20 and -£9.7m below FY21 as we continued to create a more profitable business.

Our strategy continues to be centred around becoming a ***consumer and B2B Services-focused business, with a greater emphasis on Motoring, generating higher and more sustainable returns***. During FY22 we made two further Motoring Services acquisitions (National and Iverson Tyres), making us the UK's largest Motoring Service provider. Over 70% of Group revenues are now derived from Motoring and with Services revenues now £0.5bn, and B2B revenues at £0.3bn, we have an increasingly resilient, needs-based foundation.

For the remainder of this commentary, we will draw comparisons vs FY20 unless otherwise stated as we feel this is a more helpful reflection of our performance due to the COVID-19 disruption seen in FY21.

Revenue

Group revenues were £1,370m, with both Retail and Autocentres delivering strong growth over two years. This is despite another year of COVID-19 disruption with the lockdowns and stay at home guidance of April and November. The scale and increased customer awareness of our Autocentres is particularly pleasing, as is the recovery of our Retail Motoring business, which has come back stronger than pre-pandemic. Both businesses have improved customer experience and convenience as a result of our investment over the last two years.

Retail Motoring

Revenues grew +6.5% over two years, with the overall performance in the second half of the year broadly in line with H1. This is a very strong result and reflects the unique and deepening super-specialism of our Retail offer. No other retailer in our product categories in the UK has the convenience and breadth of offer and our strategic price investments during the second half of the year will underpin future growth.

We saw strong performances across the less discretionary and specialist side of the business, with growth in many of our core categories, as we refreshed ranges and bought new products to market. Although less seasonal, our staycation products including cycle carriers and roof boxes continued to perform very well through H2.

Finally, we have also seen strong performance on child travel, growing well over two years. We stock popular brands, as well as bringing exclusive high quality own brand products to market, offering choice and value to customers. The strength of our product offer is coupled with being able to provide specific vehicle fitment advice, as well as expert fitting at any one of our Retail stores across the country.

Classification: Restricted

Retail Cycling

As we noted at our interims, Cycling had an exceptional FY21, benefitting from the unprecedented demand that COVID-19 lockdowns generated. Sales this year, whilst strong, have seen more volatility, constrained in part by wider supply chain disruption, industry specific production bottlenecks and some signs later in the year that demand began to be impacted as inflation and the cost of living concerns grew. After the significant volumes of FY21, availability inevitably started the year lower than we would have liked, and with demand high for our exclusive own brand premium ranges of mechanical bikes, the true sales potential of this category was rarely tested. These ranges were subject to significant COVID-19 disruption, having the effect of closing both component and production factories on separate occasions. Other ranges were also marred by disruption, with our peak period for kids bikes in December impacted by last minute sea freight delays which affected consumer confidence over certainty of delivery, as well as customers deterred from shopping to avoid further COVID-19 lockdowns over Christmas. Availability fared better on our E-bikes, although again, certain bestselling own brand lines were constrained by availability. We remain confident on the longer-term outlook for bikes as government infrastructure and climate needs necessitate greener modes of transport.

Autocentres

Our Autocentres business, operating in markets less exposed to demand and supply volatility, continues to be a key area of strategic focus. Total revenues have almost doubled to £368m since FY20, driven by both our acquisitions, but also our targeted initiatives to attract new customers to the underlying business and our ability to increase productivity. With vehicle traffic remaining marginally below pre-pandemic levels across the year, the 23.4% LFL growth of our business is clear evidence of the increasing market share we have achieved through our best-in-class customer experience.

In our interim results, we noted that the profitability of the Autocentres business had been impacted by a shift in the MOT season to the second half of the year, driven by the Government's extension of MOT due-dates during COVID-19. As we anticipated, the second half was far stronger, and therefore the full year performance saw very strong EBIT performance of £14.4m, partly driven by revenue growth and partly by the optimisation of our business through our "Avayler" platform.

Areas of strategic focus

The scale of change in the business during FY22 has been significant and is best evidenced through the performance in our areas of strategic focus – namely Group Services, B2B and online.

Group Services[1]

Group revenue from services was £531m, growing 79% since FY20. This is the most transformational change we have made to our business, and, despite the rapid growth, we still see a significant future opportunity in this market.

Our Halfords Mobile Expert van business, discussed in our FY22 strategic review, has been particularly successful and resilient through the pandemic, providing customers with an integrated, convenient and unique "on the drive" or "at work" offer.

We have also made three acquisitions in FY22 – National Tyres, Iverson Tyres, and havebike - taking our acquisitions total to six since October 2019. Five have been centred around Motoring Services, and havebike, our latest addition in March 2022, offers mobile Cycling Service solutions from hubs in London and Birmingham. This is an exciting addition to our Cycling Service proposition and

Classification: Restricted

complements the national coverage provided by our 400 Retail stores. The scale we have created in Motoring Services allows us to leverage our training and technology through over 1,400 fixed and mobile locations. We offer unrivalled on-demand services, including the convenience of our mobile service as well as more complex solutions at over 600 garages.

Our Services growth is underpinned by our technology and training. Whether this is optimising capacity through Avayler, our "WeCheck" platform in Retail stores, or having over 2,000 service technicians trained in E-mobility and a skills base of almost 40,000 in Retail, our position is unique and unrivalled within the UK.

B2B[2]

Our B2B business is an equally exciting opportunity and we are pleased with the progress we have made through FY22. B2B revenue, at nearly £300m, grew by +60% versus FY20. We continue to focus on our market leading Cycle 2 Work ("C2W") scheme, underpinned by our award-winning ranges of exclusive own brand bikes. The tax relief customers can obtain by purchasing through these schemes will, we believe, play an important role as consumers navigate through the cost-of-living crisis.

Our Commercial Tyre business also provides an exciting opportunity for the future. This side of our business provides service and repairs to fleets, agricultural vehicles or lorries and has grown by +180% since FY20. This has been achieved by our strategic acquisitions of McConechy's Tyre Services and Universal Tyres, the latter acquired in March 2021. The combination of these two businesses took us a step closer towards achieving national coverage, which allows us to win larger contracts to support businesses seeking a single partner across the UK. Despite this growth, we still see further areas of opportunity where we have "white spots" across the UK, and we continue to look to close these gaps in the future. By doing so, we will take the next step to achieving full and unrivalled UK coverage in the Commercial Tyre market.

In July 2021, we entered the Software as a Service ("SaaS") market through our Avayler platform. Avayler brings together the complementary motoring services platforms that Halfords has either built or acquired over recent years, and packages them up in such a way that external clients can plug in to individual components, a collection of modules, or the entire platform. As an operator ourselves, this has given us the ability to demonstrate tangible proof points to prospective clients and, as a result, we are already supporting American Tire Distribution Inc. and Tirebuyer in the US. Avayler is a particularly exciting venture for Halfords as it aligns perfectly with our strategy of building more resilient, recurring, B2B revenue streams.

Online

Online has played a pivotal role in our success over the last two years. Our website re-platform at the end of FY20 brought together three individual websites, enabling customers to see the full breadth and scope of our offer in one place. This has provided powerful synergies that have included increasing Halfords Retail customers' awareness of Autocentres and facilitating cross shop through the ability to bundle cross-Group products and services into one basket.

The new web platform has also delivered tactical improvements to the customer shopping experience. Since launch, we have invested in optimising the customer journey by making hundreds of developments, through a mindset of continuous improvement. During a period of fast changing consumer behaviour and supply chain challenges, these developments have ensured that products and service solutions are simpler to navigate for our customers. Whether this has been to support new customers into staycation products through guided selling, or finding a bike through our dynamic stock finder, each development has compounded to transform the customer experience.

Classification: Restricted

Operational Review

Halfords won't be alone in reporting that the operating environment remained challenging for all retailers across the UK in FY22 and, whilst we anticipated an improvement through the last six months of trading, just as one challenge ended, the next one emerged. It has therefore been more critical than ever that we have continued to focus on keeping colleagues and customers safe, improving efficiency across the Group, and identifying cost reductions where possible.

Supply Chain

The global supply chain has been particularly challenging over the last two years, meaning moving anything around the globe with any degree of certainty has been difficult. Whilst there were general signs of improvement towards the end of H1, the reliability of freight remained poor. There have also been specific pockets of industry supply challenges with bike componentry suffering through COVID-19 factory closures. These factors meant it was often very difficult to accurately understand demand due to the unstable stock availability presented to customers. As noted earlier, Premium bikes were most exposed to these problems throughout FY22, but problems extended to kids bikes during periods of particularly high seasonal demand, for example, Christmas, where late disruption resulted in inconsistent availability from week-to-week.

Integration of our Acquisitions

As we started FY22, we had already completed three acquisitions in 18 months (McConechy's, Tyres on the Drive and Universal Tyres) and as we noted during our last update, one of our biggest programmes this year was to efficiently integrate Universal Tyres. Our acquisitions are crucial to growing our scale and convenience to customers, but it is only when they are fully integrated and using our Avayler platform that their true potential begins to crystallise. It was particularly pleasing therefore, that we were able to integrate Universal Tyres in less than half the time it took to integrate McConechy's - a truly fantastic achievement and testament to the hard work and professionalism of our teams. With three further acquisitions in the second half of FY22 (Iverson Tyres, National Tyres and havebike), our integration experience will ensure the valuable synergies of these deals are realised as soon as possible and help to grow the business in the future. Our integration of National Tyres, the most significant of these acquisitions, is discussed in more detail in the strategic highlights section later in this update.

Environmental, Social and Governance ("ESG")

We continue to make good progress on our ESG agenda, and it remains a core part of our strategy whilst simultaneously providing a valuable commercial opportunity. We have identified four priority areas in Electrification, Net Zero, Diversity & Inclusion, and Product, Packaging and Waste Management. Over the course of FY22 we have made progress against all four including:

- In Electrification:
    - We have rolled-out free Electric Bike trials across our Retail store estate to encourage customers to switch to clean transport solutions.
    - We achieved our target of training over 2,000 colleagues across Retail and Autocentres, to deliver Electric Services in Scooters, Bikes and Cars.
    - We have created a unique partnership with BOXT to become the first mainstream retailer to offer end-to-end charging solutions for homes, aiding the switch to electric.
- In Net Zero:

Classification: Restricted

    - During H2, our Science-based targets for carbon reduction were approved by the SBTi ("Science Based Targets Initiative").
    - 75% of Halfords' physical estate is powered by electricity from renewable sources, helping to reduce carbon emissions in our own operations by 25% This moves us significantly closer to achieving our science-based target for Scope 1 and 2 emissions, which is aligned to the ambitious 1.5 degree pathway.
- In Product, Packaging and Waste Management:
    - Our primary plastic packaging was reduced even further in H2, falling by 17% - equivalent to 279 tonnes.
- In Diversity & Inclusion:
    - We Launched four Colleague Network Groups giving a voice to all colleagues to discuss Diversity & Inclusion across the Group.
    - We ran Diversity & Inclusion Masterclasses with our Senior Leadership Team.

Halfords hold an influential position in seeking to drive sustainability in both the motoring and cycling industries. In particular we believe that the breadth of our electric products and services offer will play a critical role in supporting the UK to adopt electric forms of personal transport.

<u>Colleagues and the Labour Market</u>

Our colleagues have always been our most important asset. With almost 40% of revenue now service related, this has never been more relevant than it is today. It is their expertise that has resulted in an astonishing 8m service jobs carried out this year, helping to keep customers moving when they need it most. Investing in our colleagues is one of the best investments we can make, providing them with best-in-class training and technology, whilst also supporting them financially and mentally through difficult times. We know that highly engaged colleagues result in high customer satisfaction, and our NPS scores during FY22 are testament to this.

This year, we completed our biggest training programme to date, which involved training our Retail colleagues in the full suite of customer services on offer. By doing this, our colleagues are now trained in twice as many skills as they were a year ago, meaning our on-demand fitting offer is more convenient for customers, reducing wait times and getting customers back moving quickly.

During H1 the labour market was particularly challenging, driven by high demand and short supply with self-isolation from COVID-19 often having an adverse impact on the availability of technicians. The labour market has remained difficult through the second half of FY22, and we believe it has suppressed our growth, with our capacity constrained by the supply of available technicians to our Autocentres and HME businesses.

Finally, to underpin our service offering, we also implemented a new store operating model in Retail which has resulted in more customer facing service technicians. Combined with our training investments, this means our Retail stores have more capacity to service customers in periods of high demand.

Strategic Progress

As we noted earlier, the success of FY22 has been a result of strong progress against a clear and consistent vision and our results clearly demonstrate the strong and accelerating transition we are making to ***"Evolve into a consumer and B2B services-focused business, with a greater emphasis on motoring, generating higher and more sustainable financial returns."***

<u>**Inspire** our customers with a differentiated, super-specialist offer</u>

Classification: Restricted

Our Inspire pillar is centred around transforming the customer experience by investing in both our digital and physical infrastructure, whilst simultaneously providing customers with access to new products and services in our core markets. Some of the key areas of progress this year have been:

Fusion

Halfords **Fusion** town experience is our project to transform the customer experience, investing in both the physical and digital estate. Fusion brings together all of our shopping and services locations across a town, leveraging all our customer touchpoints, and creating an end-to-end experience that provides a full solution to every customer.

A Fusion town incorporates a new format destination retail store, an updated Autocentres garage and an extended Halfords Mobile Expert offer – all operating in conjunction with an online and home delivery proposition across a single location. This results in our stores, garages and vans truly working as one, with no perceived transition for the customer when moving from one customer proposition to another.

Our two trial towns in Halifax and Colchester have delivered some very encouraging results. The ability for colleagues to book customers into any Halfords service has driven a step-change in the number of customers shopping across more than one of our propositions. Our on-demand WeCheck services, delivered by our highly skilled Retail colleagues from the Halifax store car park, now refer c.20% of our Halifax garage's sales per week. These referrals have driven significant revenue to our garages, initiated from a Retail transaction, reducing the need for us to acquire customers through traditional marketing channels. Our Halifax garage is now ranked within the top three performing garages in our estate, having been 214^{th} out of 300 pre-Fusion.

We have also invested in training and technology to aid colleagues in selling total solutions to customer's needs in Retail stores covering products, accessories, and services. When coupled with changes to the store environment, such as the Parts desk which helps to facilitate interaction with our colleagues, we can assist customers through the more complex shopping journeys, such as selecting the right bulbs, blades or batteries for their car or Bike purchases. These changes have resulted in strong average transaction value uplifts, as well as increases in customer experience scores by +9 points.

New products and services

Our super-specialism is a key differentiator as we believe that no other company can deliver the breadth of offer across the life of a car or bike. We intend to continue to deepen this super-specialism. This year we have launched our Electric Vehicle charging solutions partnership with BOXT, rolled out E-bike trials across our stores to give customers the chance to try before they buy, and entered the second-hand bike market by launching Bike Xchange. Bike Xchange creates a circular economy for bikes by offering customers the opportunity to trade in used bikes in exchange for money off future purchases, whilst also allowing us to nationally range fully serviced and warrantied pre-owned bikes.

We have continued to focus on our own brand and exclusive ranges of products deepening our specialism in Motoring and Cycling. We have launched exclusive brands within car cleaning including Yiannimize and Autobrite and our own brand ranges of bikes including Carrera, Voodoo and Boardman continue to receive excellent reviews and accolades including our Boardman SLR 8.8 winning the Road.cc award in May 2022.

<u>**Support** our customers through an integrated, unique, and more convenient services offer</u>

Our Support pillar has arguably seen the most significant transformation during FY22, in part driven by the acquisition of National Tyres.

National Tyres

In December 2021, the Group undertook a £61.6m share placing in order to acquire National Tyres. The acquisition added 234 garages, 68 vans and 1,200 highly skilled colleagues to our Group. This has transformed our scale and will create very significant levels of synergies across the Halfords Group - estimated at £18m EBITDA by our third year of ownership. I am very pleased with the progress to-date, and we remain confident of delivering year 1 synergies in line with the business case through the work done in aligning to group purchasing contracts as well as moving National's freight procurement onto our Group contract.

An important aspect of the National Tyres deal was the acquisition of Viking, the wholesale tyre distribution network which, in itself, will create very important strategic and operational advantages for Halfords. This network gives us the ability to supply tyres to our own Group businesses on a national scale, having less reliance on third-party networks whilst simultaneously reducing costs.

Halfords Mobile Expert

Our Halfords Mobile Expert business goes from strength-to-strength and continues to deliver best-in-class customer experience and convenience. Within two years we have grown the business from 7 to 253 vans, offering a range of 17 services to customers across over 75% of the UK. Revenues have grown +44% YoY and over 300% vs FY20.

Avayler

Avayler is our market leading digital platform which underpins our motoring services businesses. We have developed this platform over a number of years, optimising the software which, in-turn, optimises our business. The success of our business using Avayler has enabled us to market the solution to third party service providers and, as a result, we successfully entered the SaaS market, supporting ATD and Tirebuyer in the US.

Enable a **lifetime** of motoring and cycling

Our lifetime pillar is focussed on establishing lasting relationships with customers. Whilst growing, we know that only 4% of our customers shop the breadth of our offer. This creates a significant opportunity, with relatively modest changes to customer behaviour required. Our research shows that those who shop across the Group spend three to five times more than those shopping from a single offer. This can increase further by forming a relationship over a 3-year period.

Motoring Loyalty Club

To unlock these opportunities, we launched a unique Motoring Loyalty club at the end of March 2022. Our club puts the customer and their car at the centre of our proposition, allowing us to harness data and form a relationship across the life of the car. We can now offer customers bespoke advice, offers and savings, and alongside our strategic investment in motoring pricing, we can give customers better value and strengthen our service proposition.

Classification: Restricted

The launch of the club is an important step forward in both our lifetime pillar and overall strategy, but we see it as only the beginning. The club has created a valuable platform from which we will build further opportunities in the future, as we begin to support customers through the life of their car.

Underpinned by Cost and Efficiency

The success of our transformation continues to be underpinned by our focus on cost and efficiency. By creating a more profitable and efficient business, we create the capacity to reinvest and generate long term returns for shareholders. We have delivered strong cost reduction in FY22, with some highlights including:

- Settling 69 Retail lease renewals at an average of 26% below existing rental levels
- Delivering over £7.6m of goods not for resale savings and cost mitigation, including freight and energy.
- Saving a further £1.5m through Store efficiency programmes across 20 initiatives.

Underpinned by our Colleagues

Colleagues are the heart of a services business, and we have continued to invest in training as well as their health and wellbeing:

- Our "Here to Help" Fund, set up during the height of the pandemic, has now delivered £0.4m of support to colleagues that need it the most.
- "Wagestream" launched during the year, giving colleagues early access to wages when needed.
- We have trained over 100 mental health first aiders.
- We have offered free winter flu jabs to all colleagues.

FY23 Strategic Focus;

I noted earlier that as one external challenge seemingly came to an end, another was poised to take its place. We look to be through the most severe impacts of COVID-19 in the UK, but we face a new period of uncertainty, this time created by the worst cost of living crisis in a generation. At the time of writing this update, inflation is approaching double-digit percentages, interest rates are increasing, and consumer confidence is at a 10-year low. With this period of uncertainty ahead, we feel it is right to sharpen our strategic focus to deliver what matters most to customers at this time.

Inspire

In Fusion, we will leverage the learnings from our trial towns, and roll out a capital efficient Fusion investment plan across the estate, including;

- Training colleagues in solution selling practices.
- Car park referrals and managers in up to 100 Retail sites.
- Roll our further 3Bs and Click and Collect Hubs in Retail.
- Capacity increased in Autocentres through additional colleagues.

We will further our super-specialism by deepening our ranges within our core markets. This will include extending our Retail offering by giving access to a broader range of car parts - a market worth over £1bn.

Support

Classification: Restricted

Our B2C business:

- Integrate National Tyres to crystalise the next phase of performance synergies. This will include implementing PACE across the estate, installing MOT equipment in sites currently without equipment and all other equipment upgraded.
- Continuing to rebrand sites.
- Increase headcount and capacity.

Our B2B business:

- Look to fill white space in our UK coverage by moving closer to our commercial van target of 500.

Avayler:

- We will continue our investment in Avayler, the platform that underpins the success of our motoring services operation. This will optimise our own business further, but also allow us to drive further opportunities with third party service providers, focussed on the Automotive industry.

Lifetime

In Lifetime we will accelerate and optimise our Loyalty platform:

- Focus on driving memberships and VRN data capture, targeting between 0.5 and 1.0 million customers by the end of FY23.
- Utilise our Group Data platform and Loyalty club to engage with customers through the life of their car and drive lifetime value
- Target 10% Premium mix to test subscription style memberships,

Capital structure and dividend

Our capital allocation priorities remain unchanged:

1. Maintaining a prudent balance sheet.
2. Investment for growth.
3. M&A, focused on Autocentres.
4. Progressive dividend policy.
5. Surplus cash returned to shareholders.

Our Net Debt: EBITDA ratio, revised on an IFRS 16 basis, was 1.67 at the year-end, broadly in line with our expected range of 1.8x to 2.3x.

With a continued strong performance from our areas of strategic focus, we will continue with our transformation plan. Our forecast capital expenditure for the year is £45m to £50m, with additional expenditure of up to £15m to complete the integration of National and deliver the projected synergy benefits. Our growth plan will be complemented by acquisitions if we are able to find attractive targets with the right strategic fit for a fair price. Our capital expenditure and acquisition strategy will be focussed on scaling our motoring services business in line with our strategy, cementing our market leading position in aftermarket service, maintenance, and repair and growing our market share in motoring products.

We understand the importance of the ordinary dividend to many of our investors, and we updated our dividend policy at our preliminary results in June 2021, reinstating the ordinary dividend starting FY22

Classification: Restricted

at 9p per share, intending this to be progressive. Following the payment of an interim dividend of 3p per share on 21 January 2022, we are proposing an FY22 final dividend of 6p per share to be paid on 16 September 2022, with the corresponding ex-dividend date of 11 August 2022 and the record date of 12 August 2022.

As we have indicated previously, Loraine Woodhouse is stepping down as CFO and will be replaced by Jo Hartley. This Director change takes place on the 16th June 2022, when Jo Hartley will be appointed as a Director of Halfords Group Plc and Loraine will resign from the Board.

Graham Stapleton
Chief Executive Officer, 15 June 2022
Halfords Group Plc

Classification: Restricted

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 Autocentres represent the consolidation of the Halfords Autocentres, McConechy’s, Universal, National and Avayler (HSSD) trading entities. Balance Sheet comparisons have been made on a FY22 to FY21 basis. All references to Group represent the consolidation of the Retail and Autocentres segments.

The “FY22” accounting period represents trading for the 52 weeks to 1 April 2022 (“the financial year”). To provide a better understanding of underlying performance, comparisons of sales and profit will primarily be made relative to FY20, that is, on a 2-year basis unless otherwise stated. The disruption to last year (FY21) from COVID-19 means that one-year comparators are more difficult to interpret, albeit are provided within the tables below for completeness. All numbers shown are on a post-IFRS16 basis, unless otherwise stated.

Group Financial Results

	FY22 (52 weeks) £m	FY21 (52 weeks) £m	FY20 (52 weeks) £m	FY22 versus FY21 change	FY22 versus FY20 change
Group Revenue	1,369.6	1,292.3	1,142.4	+6.0%	+19.9%
Group Gross Profit	721.7	656.3	584.0	+10.0%	+23.6%
Underlying EBIT	101.1	114.5	70.5	-11.7%	+43.4%
Underlying EBITDA	207.1	233.0	188.6	-11.1%	+9.8%
Net Finance Costs	(11.3)	(15.0)	(13.6)	-24.7%	-16.9%
Underlying Profit Before Tax	89.8	99.5	56.9	-9.7%	+57.8%
Net Non-Underlying Items	6.8	(35.0)	(34.2)	-119.4%	-119.9%
Profit Before Tax	96.6	64.5	22.7	+49.8%	+325.6%
Underlying Basic Earnings per Share	35.5p	41.7p	25.4p	-14.9%	+39.8%

Although COVID-19 restrictions started to ease in the early part of our financial year, the reality was that FY22 was still a heavily disrupted year for most consumer-facing businesses, including Halfords. The UK targeted a quick return to normality after the impact of the pandemic, but supply and demand conditions remained unpredictable through much of our financial year. Other countries, and the Far East in particular, mandated COVID-19 restrictions for longer, contributing to ongoing supply-chain disruption. Subsequently, as we approached the end of FY22, both we and our customers began to face into a new challenge brought about by almost two years of supply and demand disruption. Higher inflation began to emerge in the second half of our financial year, compounded by the onset of war in Ukraine. Although the impact on FY22 was limited, there is no doubt that the economic environment for UK companies and consumers has become tougher than six months ago, giving rise to both challenge and opportunity as we navigate the year ahead.

Our strong financial results in FY22, with Group PBT of £96.6m, +£73.9m versus FY20, reflect good strategic progress, a sharpened focus on improving the profitability of our underlying business and a necessarily agile approach to our operation in a very challenging environment. Over the last two years we have mitigated many headwinds, not least a complex and disrupted supply chain, whilst simultaneously improving the profitability of our business.

Despite the challenging external environment, we were pleased with the progress we made against our Strategy in the year. Our acquisition of Axle Group Holdings Limited (referred to as “National”) in December 2021, comprising National and Viking, was an important step forward and testament to our commitment to grow our Services business. The acquisition, on 9 December 2021, for consideration of £61.5m, and the associated share placing, which raised £61.6m of proceeds, was well supported by our shareholders, demonstrating support for our Services-focused strategy and the compelling opportunity of the acquisition itself. As a result of this transaction, alongside smaller prior year acquisitions, the Group is a very different business from two years ago, financially stronger and with a greater proportion of revenues coming from the more resilient and non-discretionary areas of Motoring Services and B2B.

Group revenue in FY22, at £1,369.6m, was up 19.9% from FY20, comprised of Retail revenues of £1,001.6m and Autocentres revenue of £368.0m. This compared to FY20 Group revenue of £1,142.4m, which saw Retail revenue of £950.6m and Autocentres revenue of £191.8m. Retail Revenues grew +5.4% (+£51.0m) versus FY20, but declined -3.7% versus FY21, primarily due to a normalised cycling market after strong demand during the early COVID-19 period. Both Motoring and Cycling revenue grew versus FY20 but, against FY21, Motoring recovered significantly whereas Cycling declined versus the strong peak seen in FY21. Autocentres revenue almost doubled across the two-year period and grew +45.7% versus FY21, reflecting good underlying LFL growth alongside the impact of our acquisitions.

Group gross profit of £721.7m (FY20: £584.0m) was 52.7% of Group revenue (FY20: 51.1%), comprising of Retail gross margin of 51.0%, up +277bps from FY20, partly offset by a decrease in the Autocentres gross margin of 815bps to 57.3%. In Retail, our Cycling profitability improvements delivered in FY21 annualised, offset in part by our decision to invest in Motoring pricing to underpin our Services business. In Autocentres, the acquired businesses (Universal Tyres in March 2021 and National in December 2021) carry lower gross margins due to a heavy focus on tyres, but with a lower labour cost they have an operating margin potential in line with the core Autocentres business.

Total underlying costs increased to £620.6m (FY20: £513.5m), of which Retail comprised £420.9m (FY20: £395.6m), Autocentres £196.6m (FY20: £115.8m) and unallocated costs £3.1m (FY20: £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, Tredz and Wheelies in May 2016, McConechy's in November 2020, The Universal Tyre Company (Deptford) Limited ("Universal") in March 2021 and National in December 2021, which arise on consolidation of the Group.

The overall cost increase of 20.9% (+£107.1m) was in line with revenue growth over the same period. Of the increase, over half (+12.2%, +£62.4m) was a result of new acquisitions, or those annualising part year ownership, with the remainder driven by volumetric sales growth alongside investment in areas of strategic importance such as customer contact, digital, and colleague training. The Government continued to provide Business Rates Relief through much of our first half, resulting in £11m of rates not levied versus FY20, but notably lower than the £39m of relief received in FY21.

We continued to focus on our cost and efficiency programmes, delivering £7.6m of GNFR (goods not for resale) cost savings, alongside cost reductions associated with our store and garage closures in FY21 that gave rise to year-on-year benefits in the first three quarters of FY22. We achieved rental savings in our Retail estate on 69 lease renewals, with an average decrease of approximately 26% in FY22. These underlying savings helped to mitigate cost increases associated with the growth of the business and to fund strategic investment.

Group Underlying EBITDA increased 9.8% to £207.1m (FY20: £188.6m; FY21: £233.0m), whilst net finance costs were £11.3m (FY20: £13.6m; FY21: £15.0m). Underlying Profit Before Tax for the year increased 57.8% to £89.8m (FY20: £56.9m; FY21: £99.5m). Non-underlying items totalled a £6.8m credit in the year (FY20: £34.2m debit; FY21: £35.0m debit), following two years of charges that arose from reorganisations of our physical infrastructure and organisational redesign. After non-underlying items, Group Profit Before Tax was £96.6m (FY20: £22.7m; FY21: £64.5m).

Retail

	FY22 (52 weeks) £m	FY21 (52 weeks) £m	FY20 (52 weeks) £m	FY22 versus FY21 change	FY22 versus FY20 change
Revenue	1,001.6	1,039.8	950.6	-3.7%	+5.4%
Gross Profit	510.7	502.0	458.4	+1.7%	+11.4%
Gross Margin	51.0%	48.3%	48.2%	+270bps	+277bps
Operating Costs	(420.9)	(398.3)	(395.6)	+5.7%	+6.4%
Underlying EBIT	89.8	103.7	62.8	-13.4%	+43.0%
Non-underlying items	8.9	(31.7)	(30.7)	-128.1%	-129.0%
EBIT	98.7	72.0	32.1	+37.1%	+207.5%
Underlying EBITDA	168.4	199.3	159.0	-15.5%	+5.9%

Revenue of £1,001.6m reflected a 2 year like-for-like ("LFL") sales increase of +15.2%. Total revenue in the year increased +5.4% after adjusting for the impact of closing 64 Retail stores through FY21. Revenues declined -3.7% versus FY21, significantly skewed by COVID-19 in both Motoring and Cycling, with the latter dipping versus a strong peak in FY21. The volatility of the trading environment over the last two years was most evident in our Retail business, which made forecasting particularly difficult. This is demonstrated by the sharp changes in mix witnessed across the years FY20, FY21 and FY22. Motoring mix fell by 12ppts from FY20 to FY21 as a result of fewer journeys made during lockdowns, but represented 59.4% of the Retail business for FY22 as traffic began to normalise. Pleasingly, our Motoring business had a strong period, with revenues of £595m, total revenue growth of +6.5% and LFL growth of +12.5% versus FY20, with revenue growth of +22.7% versus FY21. This is positive given the importance of our Motoring products business to the growth of our Services proposition and demonstrates the strength and convenience of our Retail offer. Cycling sales also performed well, growing LFL revenues +18.0% versus FY20 (+2.7% total), although declining versus FY21 by 27.2% in total. We did not expect Cycling revenues to grow versus the peaks of lockdown cycling seen in FY21, but nevertheless supply chain disruption and availability played its part in limiting its potential.

The Retail Operational Review in the Chief Executive Officer'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:

	FY22 LFL 2yr (%)	**FY22 Total sales mix (%)**	FY21 Total sales mix (%)	FY20 Total sales mix (%)
Motoring	+12.5	**59.4**	46.1	58.4
Cycling	+18.0	**40.6**	53.9	41.6
Total	**+15.2**	**100.0**	100.0	100.0

Gross profit for the Retail business, at £510.7m (FY20: £458.4m) represented 51.0% of sales, an increase of +277bps on FY20 (FY20: 48.2%). There were three key factors behind the performance; firstly, substantial improvements in the Cycling gross margins, up over +700bps versus FY20, following the margin optimisation programme detailed in last year's report. The improvement annualised this year versus FY21, but the full impact can be seen versus FY20. Secondly, Motoring margins were also stronger versus FY20, +60bps, despite our strategic investment in Motoring pricing aimed at strengthening and underpinning the Services business. And finally, the material swing in product mix also impacted gross margin, albeit with materially less impact versus FY20 than versus FY21. Of the +277bps improvement versus FY20, +300bps is a result of rate changes, -60bps dilution driven by growth in commissions as a result of our growing B2B business and foreign exchange movements, and the balance reflected product mix, which had a small positive impact vs FY20.

Retail operating costs before non-underlying items were £420.9m (FY20: £395.6m) an increase of 6.4% on FY20. The focus on operational efficiency and procurement continued in FY22, offsetting the impact of the inflationary headwinds that began to build during FY22, and funding our strategic investments across a number of customer-facing initiatives. Some of the efficiency highlights included £7.6m of GNFR costs removed from the Retail business through an ongoing review of services and tendering processes, the lease renewals detailed earlier, and £1.5m of store payroll removed through our 'We Operate 4 Less' in-store savings initiatives. Of the £11m Business Rates Relief afforded to the Group, £9m was within Retail versus £33m in FY21.

Autocentres

	FY22 (52 weeks) £m	FY21 (52 weeks) £m	FY20 (52 weeks) £m	FY22 versus FY21 change	FY22 versus FY20 change
Revenue	368.0	252.5	191.8	+45.7%	+91.9%
Gross Profit	211.0	154.3	125.6	+36.7%	+68.0%
Gross Margin	57.3%	61.1%	65.5%	-380bps	-815bps
Operating Costs	(196.6)	(141.2)	(115.8)	+39.2%	+69.7%
Underlying EBIT	14.4	13.1	9.8	+9.9%	+46.9%
Non-underlying items	(2.1)	(3.3)	(3.5)	-36.4%	-40.0%
EBIT	12.3	9.8	6.3	+25.5%	+95.2%
Underlying EBITDA	38.7	33.7	29.6	+14.8%	+30.7%

Classification: Restricted

Autocentres generated total revenues of £368.0m (FY20: £191.8m), an increase of 91.9% on FY20, with a strong LFL increase of 23.4%. Non-LFL revenues versus FY20 included either full or part year benefits from our six acquisitions: Tyres on the Drive and McConechy's acquired in October and November 2020 respectively, Universal Tyres in March 2021, Iverson Tyres in December 2021, Axle Group in December 2021 and havebike in March 2022. Our acquisitions added approximately £125m of revenue versus 2020 and c. £93m versus 2021.

In Q3 FY22, we entered the Software as a Service market through our Avayler platform and were delighted to sign our first deal with ATD for provision of the software.

Gross profit of £211.0m (FY20: £125.6m) was 57.3% of sales, a decrease of 815 bps on FY20 but Gross Profit £ was nearly 70% ahead of FY20. The decrease in gross margin % was a result of the annualisation of our acquisitions, which are gross margin rate dilutive given their business model focus on tyres. Most notably, Universal Tyres and McConechy's operate predominately within the B2B commercial tyre sector and, as such, have a different operating model of lower gross margin but strong margin per worked hour, and more resilient revenues. National operates primarily within the B2C sector, more aligned to our core Autocentres business, but also with a heavy tyre mix and lower gross margins. Overall Autocentres saw underlying rate improve by +320bps with the mix into acquisitions worth almost -1,150bps overall. Going forward we are confident that significant synergies are available to us through a combination of greater scale and leveraging our digital operating model, which will result in stronger operating margins across the enlarged Autocentres group.

Operating costs were £196.6m, +£80.8m above FY20, of which £62m was a result of the annualisation and growth of our acquisitions from FY20 and FY21. The remaining cost increase was the result of investment in the underlying business with incremental investment in colleagues driving the very strong LFL performance.

Underlying EBIT was £14.4m, (FY20: £9.8m) a strong performance that reflected good organic growth complemented by strategically important acquisitions. Underlying EBITDA of £38.7m (FY20: £29.6m) was 30.7% higher than FY20.

Portfolio Management

In FY22 we continued to grow our Services business through the acquisitions of National , Iverson Tyres and havebike.

The total number of fixed stores or garages within the Group stood at 1,006, with a further 181 HME vans, 4 Cycling Vans, 68 vans supporting mobile tyre fitting and 192 Commercial vans as at 1 April 2022. The portfolio comprised 400 stores (end of FY21: 404) and 606 Autocentres garages (end of FY21: 374).

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

	Stores	Garages	Vans
Relocations	-	-	–
Leases renegotiated	69	7	–
Refreshed	-	-	–
Openings/Acquisitions	-	243	72
Closed	4	11	–

In Retail, four stores closed during the year, three of them in the final quarter. When analysing the anticipated sales transfer to other channels and neighbouring stores, it was considered more profitable to the Group to close these stores and reduce the overall cost base.

The number of lease expiries, or breaks under option, continues at a similar rate in the next five years. Retail will see three quarters of stores experience optionality within five years, allowing for a high degree of flexibility within the estate.

Within Autocentres, no garages were opened organically, but 243 locations were acquired in the year and 11 were closed, taking the total number of Autocentre garages to 606 as at 1 April 2022 (end of FY21: 374).

With the exception of nine long-leasehold and three freehold properties in Autocentres, the Group's locations are occupied under 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. The acquisition of Universal resulted in the purchase of six freehold properties, but all were sold and leased back in the first half of FY22.

Classification: Restricted

Net Non-Underlying items

The following table outlines the components of the non-underlying items recognised in the 52 weeks ended 1 April 2022:

	FY22 £m	FY21 £m
Organisational restructure costs (a)	0.3	5.9
Impairment of right-of-use assets (b)	-	(0.4)
Acquisition and investment-related fees (c)	2.8	0.6
One-off claims (d)	(2.2)	2.9
Closure costs (e)	(8.5)	26.0
Replacement of warehouse management system (f)	0.8	-
Net non-underlying items	(6.8)	35.0

a. In the current and prior period, separate and unrelated organisational restructuring activities were undertaken. A strategic redesign of the in-store operating model was undertaken to better meet our customers' expectations and deliver a consistent shopping experience across our estate. Redundancy costs of £0.3m (PY: £5.9m) were incurred during the transition to the new operating model.

b. In light of the ongoing COVID-19 pandemic, the Group revised future cash flow projections for stores and garages in FY20, which led to the recognition of an impairment in relation to stores or garages where the current and anticipated future performance did not support the carrying value of the right-of-use asset and associated tangible assets. During the prior year, £0.4m of this impairment was reversed as the stores and garages returned to a profitable position.

c. In the current and prior periods, costs were incurred in relation to the investments in National, Iverson, havebike and Universal.

- In FY22, £2.5m relating to professional fees in respect of acquisition of National;
- £0.2m related to the acquisition of trade and assets of both Iverson and havebike;
- £0.1m (PY: £0.6m) related to the acquisition of Universal.

d. During the prior period a provision of £2.9m was held in the accounts in relation to the HMRC audit into National Minimum Wage, based on management's best estimate using information available at the time. During the current period this has been fully settled and paid, which has led to a release of the provision of £2.2m.

e. During FY20 and FY21 the group completed a strategic review of the profitability of the physical estate and subsequently closed a number of stores and garages. Assets were impaired and costs associated with the ongoing onerous commitments under the lease agreements and other costs associated with the property exits were provided for accordingly. In the current period £8.5m (costs of £26m during FY21) of provisions and lease liabilities have been released as the group continues to negotiate lease disposals and review provisions held in place. At the year end property provisions carried forward included an amount of £10.2m in relation to these store and garage closures. These will continue to unwind as property exits are negotiated with landlords or tenants, and could result in further amounts being released to the income statement due to the significant estimation uncertainty over the timing of exits and the final negotiated settlements.

f. An additional charge of £0.8m has been incurred during the current year for the replacement of the warehouse management system ("WMS"). Under the new IFRIC guidance on IAS 38, this cannot be capitalised and therefore, as it is not part of recurring business it is deemed a non-underlying expense.

Finance Expense

The net finance expense (before non-underlying items) for the 52 weeks ended 1 April 2022 was £11.3m (FY21: £15.0m) reflecting reduced interest on lease liabilities, plus the fact the Revolving Credit Facility (RCF) was not drawn in the current year, partially offset by additional non-utilisation fees.

Taxation

The taxation charge on profit for the 52 weeks ended 1 April 2022 was £18.9m (FY21: £11.3m), including a £1.7m charge (FY21: £6.1m credit) in respect of non-underlying items. The effective tax rate of 19.5% (FY21: 17.5%) differs from the UK corporation tax rate (19%) principally due to increased disallowable expenditure this year (in part relating to the share issue and National acquisition) and prior period adjustments.

Classification: Restricted

Earnings Per Share ("EPS")

Underlying Basic EPS post IFRS 16 was 35.5 pence and after non-underlying items 37.9 pence (FY21: 41.7 pence and 27.1 pence after non-underlying items), a –14.9% and 39.9% movement on the prior year. Basic weighted-average shares in issue during the year were 204.7m (FY21: 197.1m).

Dividend ("DPS")

Following the payment of an interim dividend of 3.0p per share on 21 January 2022, the Board are proposing an FY22 final dividend of 6.0p per share (FY21: 5.0p per share).

IFRS 16

IFRS 16 has had the effect of increasing profit by £2.5m. The two main drivers for this being the increase in held over leases which have decreased the depreciation charge in comparison to the rental payments, and the increased ageing of the lease portfolio which has led to a lower interest charge in comparison to the rental payments.

Capital Expenditure

Capital investment in the 52 weeks ended 1 April 2022 totalled £49.2m (FY21: £45.3m) comprising £31.1m in Retail and £18.1m in Autocentres. Within Retail, £11.5m (FY21: £6.0m) was invested in stores. Additional investments in Retail infrastructure included a £17.9m investment in IT systems, including the continued development of the new Group website.

The £18.1m (FY21: £22.0m) capital expenditure in Autocentres principally related to the replacement of garage equipment and replacement of fixtures and fittings, and further development of PACE, our digital operating model in garages.

During the year, new IFRIC guidance was published relating to IAS38 Intangible Assets, in particular the capitalisation of spend on SaaS solutions. It was determined by Halfords that spend on a new Warehouse Management System should be expensed, which resulted in £0.8m being recorded in non-underlying costs due to the non-recurring nature of the costs.

Inventories

Group inventory held as at the year-end was £222.1m (FY21: £143.9m). Retail inventory increased to £194.5m (FY21: £134.3m), reflecting normalised stock levels after a COVID-19 disrupted FY21.

Autocentres' inventory was £27.6m (FY21: £9.6m). The increase in inventory primarily relates to the acquisition of National and their stock holding of tyres.

Cashflow and Borrowings

Operating Cash Flow was £131.8m (FY21: £280.8m), reflecting a working capital outflow of £70.0m, which arose due to the normalisation of inventory levels as described above. After taxation, capital expenditure, net finance costs and lease payments, Free Cash Flow was -£14.9m (FY21: £133.2m) in the year. Group Net Debt was £344.9m (FY21: £277.3m).

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 2022 Annual Report and Accounts. These include:

- Business Strategy
  –Capability and capacity to effect change
  –Stakeholder support– Value proposition
  –Brand appeal and market share
  -Climate change & electrification

Classification: Restricted

- Financial
  – Sustainable business model

- Compliance
  –Regulatory and compliance
  –Service quality
  –Cyber security

- Operational
  – Colleague engagement / culture
  – Skills shortage
  – IT infrastructure failure
  – Disruption to end to end supply chain

Specific risks associated with performance include the success, of peak trading periods (e.g., Christmas) as well as weather-sensitive sales, particularly within the Car Maintenance and Cycling categories in the Retail business.

Loraine Woodhouse
Chief Financial Officer
15 June 2022

Classification: Restricted

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 below. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

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

1. Like-for-like ("LFL") sales represent revenues from stores, centres and websites that have been trading for at least a year (but excluding prior year sales of stores and centres closed during the year) at constant foreign exchange rates.

2. Underlying EBIT is results from operating activities before non-underlying items. 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.

	FY22	FY21	FY20
	£m	£m	£m
Cash & cash equivalents	46.3	67.2	115.5
Borrowings – current	(74.7)	(63.6)	(83.4)
Borrowings – non-current	(316.5)	(280.9)	(511.9)
Net Cash/(Debt)*	(344.9)	(277.3)	(479.8)

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

6. Net Debt to Underlying EBITDA ratio is the calculation of Net Debt divided by Underlying EBITDA. Each component APM is 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.

	FY22	FY21	FY20 (53 weeks)
	£m	£m	£m
Underlying EBIT	**101.1**	114.5	67.2
Depreciation, amortisation & impairment	**106.0**	118.5	118.7
Underlying EBITDA	**207.1**	233.0	185.9
Non-underlying operating expenses	**6.8**	(35.0)	(34.2)
EBITDA	**213.9**	198.0	151.7
Share-based payment transactions	**7.8**	6.4	1.0
Loss on disposal of property, plant & equipment	**(5.2)**	1.7	2.8
Working capital movements	**(70.0)**	49.0	52.0
Provisions movement and other	**(14.7)**	25.7	(3.1)
Adjusted Operating Cash Flow*	**131.8**	280.8	204.4

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

Classification: Restricted

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

	FY22 **£m**	FY21 £m	FY20 £m
Adjusted Operating Cash Flow	**131.8**	280.8	204.4
Capital expenditure	**(47.3)**	(27.5)	(33.6)
Net finance costs	**(10.6)**	(15.5)	(13.2)
Taxation	**(12.2)**	(10.8)	(16.3)
Sales and Leaseback	**7.5**	-	-
Exchange movements	**0.9**	2.1	(2.0)
Lease payments	**(85.0)**	(95.9)	(87.7)
Free Cash Flow*	**(14.9)**	133.2	51.6

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

Classification: Restricted

Halfords Group plc

Consolidated Income Statement

For the 52 weeks to 1 April 2022

For the period		**52 weeks to 1 April 2022**			52 weeks to 2 April 2021		
		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		**1,369.6**	**-**	**1,369.6**	1,292.3	-	1,292.3
Cost of sales		**(647.9)**	**-**	**(647.9)**	(636.0)	-	(636.0)
Gross profit		**721.7**	**-**	**721.7**	656.3	-	656.3
Operating expenses	2	**(620.6)**	**6.8**	**(613.8)**	(541.8)	(35.0)	(576.8)
Results from operating activities	3	**101.1**	**6.8**	**107.9**	114.5	(35.0)	79.5
Finance costs	5	**(11.3)**	**-**	**(11.3)**	(15.0)	-	(15.0)
Profit before income tax		**89.8**	**6.8**	**96.6**	99.5	(35.0)	64.5
Income tax expense	6	**(17.2)**	**(1.7)**	**(18.9)**	(17.4)	6.1	(11.3)
Profit for the financial period attributable to equity shareholders		**72.6**	**5.1**	**77.7**	82.1	(28.9)	53.2
Earnings per share							
Basic earnings per share	8	35.5p		37.9p	41.7p		27.1p
Diluted earnings per share	8	34.0p		36.4p	40.7p		26.4p

The notes on pages 31 to 38 are an integral part of these condensed consolidated financial statements.

Classification: Restricted

Halfords Group plc

Consolidated Statement of Comprehensive Income

For the 52 weeks to 1 April 2022

	Notes	**52 weeks to 1 April 2022 £m**	52 weeks to 2 April 2021 £m
Profit for the period		**77.7**	53.2
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**6.5**	(9.6)
Income tax on other comprehensive income	6	**(1.3)**	1.6
Other comprehensive income for the period, net of income tax		**5.2**	(8.0)
Total comprehensive income for the period attributable to equity shareholders		**82.9**	45.2

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

The notes on pages 31 to 38 are an integral part of these condensed consolidated financial statements.

Classification: Restricted

Halfords Group plc

Consolidated Statement of Financial Position

For the 52 weeks to 1 April 2022

	Notes	1 April 2022 £m	2 April 2021 Restated* £m
Assets			
Non-current assets			
Intangible assets		**442.4**	398.3
Property, plant and equipment		**101.7**	81.3
Right-of-use assets		**350.2**	282.8
Derivative financial instruments		**-**	0.1
Deferred tax asset		**14.7**	12.3
Total non-current assets		**909.0**	774.8
Current assets			
Inventories		**222.1**	143.9
Trade and other receivables *		**92.6**	74.1
Assets held for sale		**-**	6.0
Derivative financial instruments		**4.2**	0.5
Current tax assets		**3.9**	3.1
Cash and cash equivalents	9	**46.3**	67.2
Total current assets		**369.1**	294.8
Total assets		**1,278.1**	1,069.6
Liabilities			
Current liabilities			
Borrowings		**(0.2)**	(0.2)
Derivative financial instruments		**(0.5)**	(5.9)
Lease liabilities	10	**(74.5)**	(63.4)
Trade and other payables *		**(299.6)**	(258.2)
Current tax liabilities		**(4.0)**	-
Provisions		**(20.5)**	(24.5)
Total current liabilities		**(399.3)**	(352.2)
Net current (liabilities)/assets		**(30.2)**	(57.4)
Non-current liabilities			
Borrowings		**-**	-
Derivative financial instruments		**-**	(0.4)
Lease liabilities		**(316.5)**	(280.9)
Trade and other payables		**(4.9)**	(3.3)
Provisions		**(6.4)**	(15.0)
Total non-current liabilities		**(327.8)**	(299.6)
Total liabilities		**(727.1)**	(651.8)
Net assets		**551.0**	417.8
Shareholders' equity			
Share capital		**2.2**	2.0
Share premium		**212.4**	151.0
Investment in own shares		**(11.6)**	(10.0)
Other reserves		**2.0**	(1.8)
Retained earnings		**346.0**	276.6
Total equity attributable to equity holders of the Company		**551.0**	417.8

*See note 11 for further details

The notes on pages 31 to 38 are an integral part of these condensed consolidated financial statements.

Classification: Restricted

Halfords Group plc

Consolidated Statement of Changes in Shareholders' Equity

For the 52 weeks to 1 April 2022

	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 3 April 2020	**2.0**	**151.0**	**(10.0)**	**0.3**	**4.6**	**217.9**	**365.8**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	**53.2**	**53.2**
Other comprehensive income							
Fair value changes in the period	-	-	-	-	**(9.6)**	-	**(9.6)**
Income tax on other comprehensive income	-	-	-	-	**1.6**	-	**1.6**
Total other comprehensive income for the period net of tax	-	-	-	-	**(8.0)**	-	**(8.0)**
Total comprehensive income for the period	-	-	-	-	**(8.0)**	**53.2**	**45.2**
Other	-	-	-	-	-	**(1.3)**	**(1.3)**
Hedging gains and losses transferred to the cost of inventory	-	-	-	-	**1.3**	-	**1.3**
Transactions with owners							
Share options exercised	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	**6.4**	**6.4**
Income tax on share-based payment transactions	-	-	-	-	-	**0.4**	**0.4**
Dividends to equity holders	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	**6.8**	**6.8**
Balance at 2 April 2021	**2.0**	**151.0**	**(10.0)**	**0.3**	**(2.1)**	**276.6**	**417.8**

The notes on pages 31 to 38 are an integral part of these condensed consolidated financial statements.

Classification: Restricted

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 2 April 2021	**2.0**	**151.0**	**(10.0)**	**0.3**	**(2.1)**	**276.6**	**417.8**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	77.7	77.7
Other comprehensive income							
Fair value changes in the period	-	-	-	-	6.4	-	6.4
Income tax on other comprehensive income	-	-	-	-	(1.3)	-	(1.3)
Total other comprehensive income for the period net of tax	-	-	-	-	5.1	-	5.1
Total comprehensive income for the period	-	-	-	-	5.1	77.7	82.8
Other	-	-	-	-	-	-	-
Hedging gains and losses transferred to the cost of inventory	-	-	-	-	(1.3)	-	(1.3)
Transactions with owners							
Shares issued	0.2	61.4	-	-	-	-	61.6
Acquisition of Treasury shares	-	-	(3.0)	-	-	-	(3.0)
Share options exercised	-	-	1.4	-	-	-	1.4
Share-based payment transactions	-	-	-	-	-	7.8	7.8
Income tax on share-based payment transactions	-	-	-	-	-	0.4	0.4
Dividends to equity holders	-	-	-	-	-	(16.5)	(16.5)
Total transactions with owners	**0.2**	**61.4**	**(1.6)**	**-**	**-**	**(8.3)**	**51.7**
Balance at 1 April 2022	**2.2**	**212.4**	**(11.6)**	**0.3**	**1.7**	**346.0**	**551.0**

The notes on pages 31 to 38 are an integral part of these condensed consolidated financial statements.

Classification: Restricted

Halfords Group plc

Consolidated statement of cash flows

For the 52 weeks to 1 April 2022

	Notes	**52 weeks to 1 April 2022 £m**	52 weeks to 1 April 2021 Restated* £m
Cash flows from operating activities			
Profit after tax for the period, before non-underlying items		**72.6**	82.1
Non-underlying items		**5.1**	(28.9)
Profit after tax for the period		**77.7**	53.2
Depreciation – property, plant and equipment		**20.6**	21.0
Impairment – property, plant and equipment		**(0.3)**	2.8
Amortisation and impairment of right-of-use assets		**69.9**	81.8
Amortisation – intangible assets		**15.8**	12.9
Net finance costs		**11.3**	15.0
Loss on disposal of property, plant and equipment and intangibles		**1.8**	1.7
Gain on sale and leaseback of assets held for sale		**(0.4)**	-
Gain on disposal of leases		**(6.6)**	-
Equity-settled share-based payment transactions		**7.8**	6.4
Exchange movement		**0.9**	2.1
Income tax expense		**18.9**	11.3
(Increase)/ decrease in inventories		**(66.7)**	35.0
(Increase)/decrease in trade and other receivables*		**1.3**	(22.4)
(Decrease)/increase in trade and other payables*		**(4.6)**	36.4
(Decrease)/ increase in provisions		**(14.7)**	25.7
Income tax paid		**(12.2)**	(10.8)
Net cash from operating activities		**120.5**	272.1
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(58.5)**	(11.5)
Proceeds from sale of assets held for sale		**7.5**	-
Purchase of intangible assets		**(22.0)**	(11.8)
Purchase of property, plant and equipment		**(25.3)**	(15.7)
Net cash used in investing activities		**(98.3)**	(39.0)
Cash flows from financing activities			
Proceeds from issue of share capital		**61.6**	-
Repurchase of treasury shares		**(3.0)**	-
Finance costs paid		**(1.6)**	(5.5)
Proceeds from share options exercised		**1.4**	-
Repayment of borrowings		**-**	(180.0)
Interest paid on lease liabilities*		**(9.0)**	(10.0)
Payment of capital element of leases		**(76.0)**	(85.9)
Dividends paid		**(16.5)**	-
Net cash used in financing activities		**(43.1)**	(281.4)
Net (decrease)/increase in cash and bank overdrafts	9	**(20.9)**	(48.3)
Cash and cash equivalents at the beginning of the period		**67.0**	115.3
Cash and cash equivalents at the end of the period	9	**46.1**	67.0

Classification: Restricted

* See note 11 for further details

The notes on pages 31 to 38 are an integral part of these condensed consolidated financial statements.

Halfords Group plc

Notes to the condensed consolidated financial statements

For the 52 weeks to 1 April 2022

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 1 April 2022 or 2 April 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 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 52 weeks to 1 April 2022, whilst the comparative period covered the 52 weeks to 2 April 2021.

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

There have been no new or amended standards effective in the period which has had a material impact on the consolidated financial information.

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	**52 weeks to 1 April 2022 £m**	52 weeks to 2 April 2021 £m
Selling and distribution costs	**472.6**	422.9
	472.6	422.9
Administrative expenses, before non-underlying items	**148.0**	118.9
Non-underlying administrative expenses	**(6.8)**	35.0
	141.2	153.9
	613.8	576.8

Classification: Restricted

3. Operating profit

For the period	52 weeks to 1 April 2022 £m	52 weeks to 2 April 2021 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	**1.6**	0.7
Expenses relating to short term leases	**6.8**	5.6
Rentals receivable under operating leases	**(2.6)**	(2.7)
Landlord surrender premiums	**(0.8)**	0.1
Loss on disposal of property, plant and equipment and intangibles	**1.8**	1.7
Amortisation of intangible assets	**15.8**	12.9
Amortisation of right-of-use assets	**69.9**	69.6
Depreciation of:		
owned property, plant and equipment	**20.6**	21.0
Impairment of:		
- owned property, plant and equipment	**(0.3)**	2.8
- impairment of right-of-use assets	**-**	12.2
Trade receivables impairment	**0.1**	0.1
Staff costs	**314.4**	299.6
Cost of inventories consumed in cost of sales	**654.6**	629.1

4. Non-underlying items

For the period	52 weeks to 1 April 2022 £m	52 weeks to 2 April 2021 £m
Non-underlying operating expenses:		
Organisational restructure costs (a)	**0.3**	5.9
Impairment of right-of-use assets (b)	**-**	(0.4)
Acquisition and investment related fees (c)	**2.8**	0.6
One-off claims (d)	**(2.2)**	2.9
Closure costs (e)	**(8.5)**	26.0
Replacement of warehouse management system (f)	**0.8**	-
Non-underlying items before tax	**(6.8)**	35.0
Tax on non-underlying items	**1.7**	(6.1)
Non-underlying items after tax	**(5.1)**	28.9

(a) In the current and prior period, separate and unrelated organisational restructuring activities were undertaken. A strategic redesign of the in-store operating model was undertaken to better meet our customers' expectations and deliver a consistent shopping experience across our estate. Redundancy costs of £0.3m (PY: £5.9m) were incurred during the transition to the new operating model.

(b) In light of the ongoing COVID-19 pandemic, the Group had revised future cash flow projections for stores and garages in FY20, which led to the recognition of an impairment in relation to garages where the current and anticipated future performance did not support the carrying value of the right-of-use asset and associated tangible assets. During the prior year, £0.4m of this impairment was reversed as the stores and garages had returned to a profitable position.

(c) In the current and prior periods, costs were incurred in relation to the investments in National, Iverson, havebike and Universal.

- In FY22, £2.5m relating to professional fees in respect of the acquisition of National;
- £0.2m related to the acquisition of trade and assets of both Iverson and havebike;
- £0.1m (PY: £0.6m) related to the acquisition of Universal.

(d) During the prior period a provision of £2.9m was held in the accounts in relation to the HMRC audit on national minimum wage, which was based on management's best estimate using information available at the time. During the current period this has been fully settled and paid which has led to a release of the provision of £2.2m.

Classification: Restricted

(e) During FY20 and FY21 the group completed a strategic review of the profitability of the physical estate and subsequently closed a number of stores and garages. Assets were impaired and costs associated with the ongoing onerous commitments under the lease agreements and other costs associated with the property exits were provided for accordingly. In the current period £8.5m (costs of £26m during FY21) of provisions and lease liabilities have been released as the group continues to negotiate lease disposals and review provisions held in place. At the year end property provisions carried forward included an amount of £10.2m in relation to these store and garage closures. These will continue to unwind as property exits are negotiated with landlords or tenants, and could result in further amounts being released to the income statement due to the significant estimation uncertainty over the timing of exits and the final negotiated settlements.

(f) An additional charge of £0.8m was incurred during the current period as a result of the replacement of the Warehouse Management system. Under the new IFRIC guidance in regards to IAS 38 this cannot be capitalised and therefore, owing to the nature of this cost (non-trading cost), this is disclosed as a non-underlying expense.

5. Finance costs

Recognised in profit or loss for the period	**52 weeks to 1 April 2022**	52 weeks to 2 April 2021
	£m	£m
Finance costs:		
Bank borrowings	**(0.1)**	(2.5)
Amortisation of issue costs on loans	**(0.7)**	(1.1)
Commitment and guarantee fees	**(1.5)**	(1.1)
Other interest payable	**-**	(0.3)
Interest payable on lease liabilities	**(9.0)**	(10.0)
Net Finance costs	**(11.3)**	(15.0)

Classification: Restricted

6. Taxation

For the period	**52 weeks to 1 April 2022**	52 weeks to 2 April 2021
	£m	£m
Current taxation		
UK corporation tax charge for the period	**15.9**	16.9
Adjustment in respect of prior periods	**(0.4)**	(1.0)
	15.5	15.9
Deferred taxation		
Origination and reversal of temporary differences	**3.4**	(4.7)
Effect of changes in tax rates	**(1.7)**	-
Adjustment in respect of prior periods	**1.7**	0.1
	3.4	(4.6)
Total tax charge for the period	**18.9**	11.3

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

For the period	**52 weeks to 1 April 2022**	52 weeks to 2 April 2021
	£m	£m
Profit before tax	**96.6**	64.5
UK corporation tax at standard rate of 19% (2020: 19%)	**18.4**	12.3
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.3**	0.9
Impact of super deduction capital allowances uplift	**(1.3)**	-
Employee share options	**1.5**	(1.3)
Other disallowable expenses	**0.8**	0.6
Adjustment in respect of prior periods	**1.3**	(0.9)
Impact of overseas tax rates	**(0.3)**	(0.3)
Impact of 130% capital allowances deduction	**(1.8)**	-
Total tax charge for the period	**18.9**	11.3

An increase to the main rate of corporation tax to 25% from 1 April 2023 was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The closing deferred tax asset at 1 April 2022 has been calculated at the rates expected to apply when the temporary differences unwind.

The effective tax rate of 19.5% (2021: 17.5%) is higher than the UK corporation tax rate principally due to increased disallowable expenditure this year (in part relating to the share issue and National acquisition) and adjustments in respect of prior periods.

The tax charge for the period was £18.9m (2021: £11.3m), including a £1.7m charge (2021: £6.1m credit) in respect of tax on non-recurring items.

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

Classification: Restricted

7. Dividends

For the period	**52 weeks to 1 April 2022**	52 weeks to 2 April 2021
	£m	£m
Equity – ordinary shares		
Final for the 52 weeks to 2 April 2021 – paid 5.0p per share (53 weeks to 3 April 2020: nil)	**9.9**	-
Interim for the 52 weeks to 1 April 2022 – paid 3.0p per share (52 weeks to 2 April 2021: nil)	**6.6**	-
	16.5	-

In addition, the Directors are proposing a final dividend of 6p per share (2021: 5.0p) in respect of the financial period ended 1 April 2022.

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 1 April 2022.

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

For the period	**52 weeks to 1 April 2022 Number of shares**	52 weeks to 2 April 2021 Number of shares
	m	m
Weighted average number of shares in issue	**205.7**	199.1
Less: shares held by the Employee Benefit Trust (weighted average)	**(1.0)**	(2.0)
Weighted average number of shares for calculating basic earnings per share	**204.7**	197.1
Weighted average number of dilutive shares	**9.0**	4.9
Total number of shares for calculating diluted earnings per share	**213.7**	202.0

For the period	**52 weeks to 1 April 2022**	52 weeks to 2 April 2021
	£m	£m
Basic earnings attributable to equity shareholders	**77.7**	53.2
Non-underlying items (see note 4):		
Operating expenses	**(6.8)**	35.0
Tax on non-underlying items	**1.7**	(6.1)
Underlying earnings before non-underlying items	**72.6**	82.1

For the period	**52 weeks to 1 April 2022**	**52 weeks to 2 April 2021**
Basic earnings per ordinary share	**37.9p**	27.1p
Diluted earnings per ordinary share	**36.4p**	26.4p
Basic underlying earnings per ordinary share	**35.5p**	41.7p
Diluted underlying earnings per ordinary share	**34.0p**	40.7p

Classification: Restricted

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

	At 2 April 2021	Cash flow	Other non-cash changes	**At 1 April 2022**
	£m	£m	£m	**£m**
Cash and cash equivalents at bank and in hand	67.0	(20.9)	-	**46.1**
Debt due after one year	-	-	-	-
Total net debt excluding leases	67.0	(20.9)	-	**46.1**
Current lease liabilities	(63.4)	85.0	(96.1)	**(74.5)**
Non-current lease liabilities	(280.9)	-	(35.6)	**(316.5)**
Total lease liabilities	(344.3)	85.0	(131.7)	**(391.0)**
Total net debt	(277.3)	64.1	(131.7)	**(344.9)**

Non-cash changes include additions of new leases, modifications to leases and foreign exchange movements and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £46.3m (2021: £67.2m) of liquid assets and £0.2m (2021: £0.2m) 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.

i. Amounts recognised in the consolidated statement of financial position

Right-of-Use Assets

	Land and buildings £m	**Equipment £m**	**Total £m**
At 2 April 2021	279.9	2.9	282.8
Additions on acquisition of subsidiary	82.0	-	82.0
Additions to right-of-use assets	44.6	5.0	49.6
Amortisation charge for the year	(66.4)	(3.5)	(69.9)
Effect of modification of lease	6.8	0.4	7.2
Derecognition of right-of-use assets	(1.3)	(0.2)	(1.5)
Impairment	-	-	-
At 1 April 2022	**345.6**	**4.6**	**350.2**

	Land and buildings £m	**Equipment £m**	**Total £m**
At 3 April 2020	344.0	5.9	349.9
Additions on acquisition of subsidiary	2.7	-	2.7
Additions to right-of-use assets	12.5	0.6	13.1
Amortisation charge for the year	(66.1)	(3.5)	(69.6)
Effect of modification of lease	5.8	-	5.8
Derecognition of right-of-use assets	(6.8)	(0.1)	(6.9)
Impairment	(12.2)	-	(12.2)
At 2 April 2021	**279.9**	**2.9**	**282.8**

Classification: Restricted

Lease Liabilities

	Land and buildings £m	Equipment £m	Total £m
At 2 April 2021	340.6	3.7	344.3
Additions on acquisition of subsidiary	73.2	-	73.2
Additions to lease liabilities	44.6	4.9	49.5
Interest expense	8.8	0.2	9.0
Effect of modification to lease	6.8	0.4	7.2
Lease payments	(81.7)	(3.3)	(85.0)
Disposals to lease liabilities	(7.0)	-	(7.0)
Foreign exchange movements	(0.2)	-	(0.2)
At 1 April 2022	**385.1**	**5.9**	**391.0**

	Land and buildings £m	Equipment £m	Total £m
At 3 April 2020	409.8	6.2	416.0
Additions on acquisition of subsidiary	2.7	-	2.7
Additions to lease liabilities	12.6	0.5	13.1
Interest expense	9.8	0.2	10.0
Effect of modification to lease	5.9	-	5.9
Lease payments	(92.7)	(3.2)	(95.9)
Disposals to lease liabilities	(6.8)	-	(6.8)
Foreign exchange movements	(0.7)	-	(0.7)
At 2 April 2021	**340.6**	**3.7**	**344.3**

Lease liabilities	1 April 2022 £m	2 April 2021 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	81.2	71.2
Between one and two years	80.5	68.8
Between two and three years	72.7	64.4
Between three and four years	59.4	55.1
Between four and five years	39.0	43.2
Between five and six years	26.9	28.4
Between six and seven years	18.7	19.3
Between seven and eight years	12.7	12.1
Between eight and nine years	10.7	5.3
Between nine and ten years	8.2	3.5
After ten years	9.0	3.5
Total contractual cash flows	419.0	374.8

Classification: Restricted

ii. Amounts recognised in the consolidated income statement

	Land and buildings £m	Equipment £m	Total £m
52 weeks ended 1 April 2022			
Amortisation charge on right-of-use assets	66.4	3.5	69.9
Interest on lease liabilities	8.8	0.2	9.0
Expenses relating to short-term leases	6.8	-	6.8
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	1.6	1.6
52 weeks ended 2 April 2021			
Amortisation charge on right-of-use assets	66.1	3.5	69.6
Interest on lease liabilities	9.8	0.2	10.0
Expenses relating to short-term leases	5.6	-	5.6
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	0.7	0.7

iii. Amounts recognised in the consolidated statement of cash flows

The total cash outflow for leases for the period ended 1 April 2022 was £85.0m (2021: £95.9m).

11. Prior Period Adjustment

During the preparation of the financial statements, a mapping error was identified relating to the reduction in the Cycle to Work contract liability in respect of expected breakage. This reduction in the liability had in previous years been mapped to Prepayments and Accrued Income in the financial statements rather than being mapped to the Cycle to Work liability in Accruals and Deferred Income.

£12.0m was incorrectly included in Prepayments and Accrued Income as at the prior period end of 2 April 2021. The error at the period end of 3 April 2020 is £8.2m.

To correct for this error, in the Consolidated Statement of Financial Position, Trade and other receivables at 2 April 2021 have been reduced by £12.0m with a corresponding adjustment to Trade and other payables. Within net cash from operating activities in the Consolidated Statement of Cash Flows, Increase in trade and other receivables has increased by £3.8m with a corresponding adjustment to Increase in trade and other payables.

In correcting this error, there is no impact on the Consolidated Income Statement or Net Assets.

Classification: Restricted