Our Financials

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Independent Auditor’s Report to the Members of Halfords Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 2 April 2021 and of the Group’s profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of **Halfords** Group Plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the 52 weeks ended 2 April 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Shareholders’ Equity, the Company Balance Sheet, the Company Statement of Changes in Shareholders’ Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 13 July 2019 to audit the financial statements for the year ended 3 April 2020 and subsequent financial periods. In respect of the year ended 2 April 2021, we were reappointed by the Parent Company’s members on 15 September 2020 at the Annual General Meeting. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ending 3 April 2020 to 2 April 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors’ assessment of the Group and the Parent Company’s ability to continue to adopt the going concern basis of accounting included:

- Assessment of assumptions within the projected cash flows: we evaluated the reasonableness of the assumptions and future plans modelled within the Board approved going concern forecasts, covering the period to 30 June 2022 and including the impact of strategic initiatives (including store closures and planned investments in FY22) as well as the ongoing and uncertain impact of COVID-19. We considered whether the forecasts aligned with how the Group had traded through the pandemic and post year end.
- Financing: confirmed the Group had financing facilities in place throughout the period of the going concern review as modelled in its forecasts. We also confirmed the calculations supporting covenant compliance and headroom throughout the going concern period.
- Sensitivity analysis: evaluation of sensitivities of the Group’s cash flow forecasts with reference to the financial covenants in place over the existing financing facilities. The analysis considered reasonably possible adverse effects that could arise as well as a stress test to consider the level of future revenue reduction the Group could support.
- Post year end trading performance: comparison of the post year end trading results to the forecasts so as to evaluate the accuracy and achievability of the forecasts prepared.
- Disclosures: evaluation of the adequacy of the disclosures in relation to the risks posed and scenarios the Group has considered in reaching their going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

<table>
<tr><td>Coverage[1]</td><td>93% (FY20: 98%) of Group profit before tax and non-underlying items
91% (FY20: 95%) of Group revenue
94% (FY20: 97%) of Group total assets</td></tr>
<tr><td>Key audit matters</td><td>
<table>
<tr><th></th><th>FY21</th><th>FY20</th></tr>
<tr><td>Going Concern</td><td></td><td>✔</td></tr>
<tr><td>Goodwill impairment</td><td></td><td>✔</td></tr>
<tr><td>Inventory valuation</td><td></td><td>✔</td></tr>
<tr><td>Cycle Republic closure costs</td><td></td><td>✔</td></tr>
<tr><td>IFRS16 – leases</td><td>✔</td><td>✔</td></tr>
<tr><td>Costs related to store and autocentre closure programme</td><td>✔</td><td></td></tr>
</table>
FY20 included key audit matters in relation to going concern, goodwill impairment and inventory valuation principally owing to the increased management judgement and higher estimation uncertainty required as a result of the onset of the COVID-19 pandemic. However owing to the Group's FY21 performance and financial position, whilst these remain audit risk in these areas, they are no longer considered key audit matters.

The closure of Cycle Republic was a one off non-recurring event.</td></tr>
<tr><td>Materiality</td><td>Group financial statements as a whole

£3.4m (2020: £2.6m) based on 5% of normalised (3 year average) profit before tax and non-underlying items. (2020: 5% of profit before tax and non-underlying items).</td></tr>
</table>

1. These are areas which have been subject to a full scope audit by the group engagement team.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

All of the Group's three significant components (inclusive of **Halfords** Group Plc) were subjected to full scope audits for Group purposes. All components are located in the UK and were audited by the Group audit team. The remaining components were not significant and subject to analytical review procedures by the Group audit team.

The significant components within the scope of our work accounted for 91% of group revenues and 94% of total assets.

Independent Auditor's Report to the Members of Halfords Group plc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
IFRS 16 – Leases **(Accounting polices, Note 14 Leases – closing right-of-use assets £282.8m, lease liabilities £344.3m)**	The Group has a large portfolio of retail and autocentre sites, with the majority of properties being leased. The ongoing impact to the financial statements of IFRS 16 is therefore significant. The calculation of right-of-use assets and lease liabilities involves adjustments relating to changes in lease arrangements and assumptions over the lease term and the incremental borrowing rate. Small changes to lease arrangements and management applied assumptions across a number of leases could lead to a material change in the valuation of right-of-use assets and lease liabilities. Owing to the magnitude of the right-of-use assets and lease liability balances and the estimation and judgement required in accurately assessing these balances, the application of IFRS16 was raised as a key audit matter.	Our audit procedures included: • Technical analysis: assessing the calculation methodology driving the lease liability and right-of-use asset against the requirements of the accounting standard. • Sample testing: testing the completeness and accuracy of the right-of-use asset and lease liability figures calculated by re-performing the calculation for a sample of new leases agreed in the year, lease modifications, and lease exits. To confirm completeness we agreed the brought forward balances to the prior year closing balances in the consolidated financial statements. • Lease length assumptions: evaluating assumed lease terms with reference to both the underlying lease agreements and consideration of the broader economics of the lease contracts, including enquiry of management and review of historical trends. • Valuation assumptions: corroboration of the inputs applied within the incremental borrowing rate calculation with assistance from BDO Valuations specialists to confirm the approach to compiling the incremental borrowing rate was in line with the requirements of IFRS 16 and based on appropriate inputs reflective of the lease portfolio. **Key observations:** As a result of the testing above we did not find any material matters to report.

Key audit matter		How the scope of our audit addressed the key audit matter
Costs related to store and autocentre closure programme **(Note 5 Non underlying items - £28.5m)**	During FY21 the Group announced plans to close a number of stores and autocentres. Material impairments and provisions are recorded in relation to redundancies and other costs associated with the closures which also resulted in property plant and equipment and right of use assets having a reduced recoverable amount. Provisioning and impairment are key areas of judgement and particularly owing to the proximity to the year end this and the associated disclosure within the financial statements was considered a key audit matter.	Our audit procedures included: • Discussions with management: to understand the nature, extent and timing of the store closure programme. • Technical analysis: evaluation as to whether costs were appropriately provided in accordance with IAS 37. • Lease testing: recalculation of a sample of lease modification adjustments with reference to the underlying lease agreement where the Group intended to exercise the break option. Our work also considered the sublease assumptions applied by management within the right of use asset impairment and other property cost provisioning assessments. • Redundancy costs: confirmation of a communicated redundancy program prior to the year-end and recalculation of a sample of redundancies payments. • Corroborative work: corroboration of management's estimates of the costs associated with the planned exit of store leases with reference to comparable costs previously incurred by the Group or estimates the Group have received for the work required. We also assessed the completeness of the provision by comparing to our expectations the cost categories and stores that had been included within management's workings. • Property plant and equipment impairments: Agreement of charges incurred to the underlying asset registers and evaluation of the assumptions made by management in relation to the recoverability of the carrying value of store and autocentre property plant and equipment, which was largely estimated to be £Nil. • Disclosure: assessment of the adequacy of the Group's disclosures concerning both the income statement, inclusive of consideration as to whether the closure costs met with the Group's definition of a non-underlying item owing to their size, nature and incidence and provisions on the balance sheet, with reference to relevant accounting standard requirements. **Key observations:** As a result of the testing above we did not find any material matters to report.

Independent Auditor's Report to the Members of Halfords Group plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £m	**2020 £m**	**2021 £m**	**2020 £m**
Materiality	3.4	2.6	1.7	1.3
Basis for determining materiality	5% of normalised (3 year average) profit before tax and non-underlying items.	5% of profit before tax and non-underlying items.	Determined with reference to 50% of Group materiality.	Determined with reference to 50% of Group materiality.
Rationale for the benchmark applied	We consider profit before tax and non-underlying items to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax. For FY21 a normalised (3 year average) has been taken owing to the significant impact of the COVID-19 pandemic on the FY21 financial year.	We consider profit before tax and non-underlying items to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.	Considered appropriate in the context of both the Group financial statements and **Halfords** Group Plc Company balance sheet.	Considered appropriate in the context of both the Group financial statements and **Halfords** Group Plc Company balance sheet.
Performance materiality	65% of materiality.			
Basis for determining performance materiality	Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements.			

Component materiality
We set materiality for each component of the Group based on a percentage of between 50% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.7m to £3.1m. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £70k (2020:£52k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 72; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 73.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 87; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 108; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 108; and • The section describing the work of the audit committee set out on page 116.

Independent Auditor's Report to the Members of Halfords Group plc

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, and IFRSs.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including understanding where and how fraud might occur.
- We obtained an understanding of the procedures and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements were free of fraud or error.
- Based on the understanding obtained we designed audit procedures to identify non-compliance with the laws and regulations, as noted above. This included enquiries of in-house legal counsel, Management, the Audit Committee, review of Board minutes, and correspondence with legal counsel and regulators.
- We tested journal entries, focusing on journal entries containing characteristics of audit interest, year end consolidation journals, journals processed by users with privileged IT access rights and those relating to revenue.
- We tested and challenged the key estimates and judgements made by management in preparing the financial statements for indications of bias or management override when presenting the results and financial position of the Group, including the costs related to store and autocentre closure programme identified as a key audit matter.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Diane Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
16 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

For the period	Notes	52 weeks to 2 April 2021 Before non-underlying items £m	52 weeks to 2 April 2021 Non-underlying items (Note 5) £m	52 weeks to 2 April 2021 Total £m	53 weeks to 3 April 2020 Before non-underlying items £m	53 weeks to 3 April 2020 Non-underlying items (Note 5) £m	53 weeks to 3 April 2020 Total £m
Revenue	1	**1,292.3**	**–**	**1,292.3**	1,155.1	–	1,155.1
Cost of sales		**(636.0)**	**–**	**(636.0)**	(565.4)	–	(565.4)
Gross profit		**656.3**	**–**	**656.3**	589.7	–	589.7
Operating expenses	2	**(541.8)**	**(35.0)**	**(576.8)**	(522.5)	(34.2)	(556.7)
Results from operating activities	3	**114.5**	**(35.0)**	**79.5**	67.2	(34.2)	33.0
Finance costs	6	**(15.0)**	**–**	**(15.0)**	(13.9)	–	(13.9)
Finance income	6	**–**	**–**	**–**	0.3	–	0.3
Net finance expense		**(15.0)**	**–**	**(15.0)**	(13.6)	–	(13.6)
Profit before income tax		**99.5**	**(35.0)**	**64.5**	53.6	(34.2)	19.4
Income tax expense	7	**(17.4)**	**6.1**	**(11.3)**	(6.9)	5.0	(1.9)
Profit for the financial period attributable to equity shareholders		**82.1**	**(28.9)**	**53.2**	46.7	(29.2)	17.5
Earnings per share							
Basic	9	**41.7p**		**27.1p**	23.7p		8.9p
Diluted	9	**40.7p**		**26.4p**	23.3p		8.7p

All results relate to continuing operations of the Group.

The notes on pages 165 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Notes	**52 weeks to 2 April 2021 £m**	53 weeks to 3 April 2020 £m
Profit for the period		**53.2**	17.5
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**(9.6)**	7.9
Income tax on other comprehensive income	7	**1.6**	(0.7)
Other comprehensive income for the period, net of income tax		**(8.0)**	7.2
Total comprehensive income for the period attributable to equity shareholders		**45.2**	24.7

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

The notes on pages 165 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	2 April 2021 £m	3 April 2020 £m
Assets			
Non-current assets			
Intangible assets	11	**398.3**	395.7
Property, plant and equipment	12	**81.3**	83.1
Right-of-use assets	14	**282.8**	349.9
Derivative financial instruments	22	**0.1**	–
Deferred tax asset	21	**12.3**	7.3
Total non-current assets		**774.8**	836.0
Current assets			
Inventories	15	**143.9**	173.0
Trade and other receivables	16	**86.1**	53.5
Assets held for sale	13	**6.0**	–
Derivative financial instruments	22	**0.5**	8.7
Current tax assets	7	**3.1**	8.2
Cash and cash equivalents	17	**67.2**	115.5
Total current assets		**306.8**	358.9
Total assets		**1,081.6**	1,194.9
Liabilities			
Current liabilities			
Borrowings	18	**(0.2)**	(0.2)
Lease liabilities	18	**(63.4)**	(83.2)
Derivative financial instruments	22	**(5.9)**	(1.1)
Trade and other payables	19	**(270.2)**	(217.0)
Provisions	20	**(24.5)**	(9.7)
Total current liabilities		**(364.2)**	(311.2)
Net current (liabilities)/assets		**(57.4)**	47.7
Non-current liabilities			
Borrowings	18	**–**	(179.1)
Lease liabilities	18	**(280.9)**	(332.8)
Derivative financial instruments	22	**(0.4)**	–
Trade and other payables	19	**(3.3)**	(1.9)
Provisions	20	**(15.0)**	(4.1)
Total non-current liabilities		**(299.6)**	(517.9)
Total liabilities		**(663.8)**	(829.1)
Net assets		**417.8**	365.8
Shareholders' equity			
Share capital	23	**2.0**	2.0
Share premium	23	**151.0**	151.0
Investment in own shares	23	**(10.0)**	(10.0)
Other reserves	23	**(1.8)**	4.9
Retained earnings		**276.6**	217.9
Total equity attributable to equity holders of the Company		**417.8**	365.8

The notes on pages 165 to 189 are an integral part of these consolidated financial statements.

The financial statements on pages 148 to 189 were approved by the Board of Directors on 16 June 2021 and were signed on its behalf by:

Loraine Woodhouse
Chief Financial Officer

Company Number: 04457314

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to the equity holders of the Company						
				Other reserves			
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained Earnings* £m	Total equity £m
Closing balance at 29 March 2019	2.0	151.0	(10.0)	0.3	1.6	264.4	**409.3**
Impact of adoption of IFRS 16*	–	–	–	–	–	(27.0)	**(27.0)**
Opening balance at 30 March 2019	2.0	151.0	(10.0)	0.3	1.6	239.3	**384.2**
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	17.5	**17.5**
Other comprehensive income							
Cash flow hedges: fair value changes in the period	–	–	–	–	7.9	(2.3)	**5.6**
Income tax on other comprehensive income	–	–	–	–	(0.7)	(0.8)	**(1.5)**
Total other comprehensive income for the period net of tax	–	–	–	–	7.2	(3.1)	**4.1**
Total comprehensive income for the period	–	–	–	–	7.2	14.4	**21.6**
Hedging gains and losses transferred to the cost of inventory	–	–	–	–	(4.2)	–	**(4.2)**
Transactions with owners							
Share-based payment transactions	–	–	–	–	–	1.0	**1.0**
Income tax on share-based payment transactions	–	–	–	–	–	(0.2)	**(0.2)**
Dividends to equity holders	–	–	–	–	–	(36.6)	**(36.6)**
Total transactions with owners	–	–	–	–	–	(35.8)	**(35.8)**
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							
Cash flow hedges: 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 Group initially applied IFRS 16 at 30 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application.

The notes on pages 165 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	**52 weeks to 2 April 2021 £m**	52 weeks to 3 April 2020 (Restated)* £m
Cash flows from operating activities			
Profit after tax for the period, before non-underlying items		**82.1**	46.7
Non-underlying items		**(28.9)**	(29.2)
Profit after tax for the period		**53.2**	17.5
Depreciation – property, plant and equipment	12	**21.0**	24.3
Impairment – property, plant and equipment	12	**2.8**	5.4
Amortisation and impairment of right-of-use assets	14	**81.8**	83.0
Amortisation – intangible assets	11	**12.9**	11.4
Net finance costs	6	**15.0**	13.6
Loss on disposal of property, plant and equipment and intangibles	3	**1.7**	2.8
Equity-settled share-based payment transactions		**6.4**	1.0
Exchange movement		**2.1**	(2.0)
Income tax expense		**11.3**	1.9
Decrease in inventories		**35.0**	3.9
Increase in trade and other receivables*		**(26.2)**	(1.0)
Increase in trade and other payables*		**40.2**	35.4
Increase/(decrease) in provisions*		**25.7**	(0.7)
Income tax paid		**(10.8)**	(16.3)
Net cash from operating activities		**272.1**	180.2
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(11.5)**	(10.9)
Purchase of intangible assets		**(11.8)**	(12.5)
Purchase of property, plant and equipment		**(15.7)**	(21.1)
Net cash used in investing activities		**(39.0)**	(44.5)
Cash flows from financing activities			
Finance income received		**–**	0.3
Finance costs paid		**(5.5)**	(2.2)
Payment of loan following acquisition		**–**	(1.8)
Proceeds from loans, net of transaction costs		**–**	1,377.0
Repayment of borrowings		**(180.0)**	(1,262.0)
Interest paid on lease liabilities*		**(10.0)**	(11.3)
Payment of capital element of leases*		**(85.9)**	(76.4)
Dividends paid	8	**–**	(36.6)
Net cash used in financing activities		**(281.4)**	(13.0)
Net (decrease)/increase in cash and bank overdrafts	I.	**(48.3)**	122.7
Cash and cash equivalents at the beginning of the period		**115.3**	(7.4)
Cash and cash equivalents at the end of the period	I.	**67.0**	115.3

Cash and cash equivalents at the period end consist of £67.2m (2020: £115.5m) of liquid assets and £0.2m (2020: £0.2m) of bank overdrafts.

* Adjustment to reported 3 April 2020 results. See note 30.

The notes on pages 165 to 189 are an integral part of these consolidated financial statements.

Note to Consolidated Statement of Cash Flows

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

	At 3 April 2020 £m	Cash flow £m	Other non-cash changes £m	**At 2 April 2021 £m**
Cash and cash equivalents at bank and in hand	115.3	(48.3)	–	**67.0**
Debt due after one year	(179.1)	180.0	(0.9)	**–**
Total net debt excluding leases	(63.8)	131.7	(0.9)	**67.0**
Current lease liabilities	(83.2)	95.9	(76.1)	**(63.4)**
Non-current lease liabilities	(332.8)	–	51.9	**(280.9)**
Total lease liabilities	(416.0)	95.9	(24.2)	**(344.3)**
Total net debt	(479.8)	227.6	(25.1)	**(277.3)**

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

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £1.1m (2020: £0.4m), 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 £67.2m (2020: £115.5m) of liquid assets and £0.2m (2020: £0.2m) of bank overdrafts. Included within cash and cash equivalent is £6.4m (2020: £5.1m) held by the trustee of the Group's employee benefit trust in relation to the share scheme for employees (£5.1m) and 'Here to Help' fund (£1.3m). These funds are restricted and are not available to circulate within the Group on demand.

Accounting Policies

General Information
Halfords Group plc is a company domiciled in the United Kingdom. The consolidated financial statements of the Company as at and for the period ended 2 April 2021 comprise the Company and its subsidiary undertakings.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis of Preparation
The consolidated financial statements of **Halfords** Group plc and its subsidiary undertakings (together the "Group") are prepared on a going concern basis for the reasons set out below, 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"). Management have undergone rigorous financial reviews taking into account specific consideration in regards to the trading position of the Group in the context of the current COVID-19 pandemic in the UK.

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 2 April 2021, whilst the comparative period covered the 53 weeks to 3 April 2020.

Going Concern
In determining the appropriate basis of preparation of the financial statements for the year ended 2 April 2021, the Directors are required to consider whether the Group & Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the Going Concern basis, having undertaken a rigorous assessment of financial forecasts.

The Group has significantly outperformed the scenarios reviewed as part of the Going Concern assessment in the Annual Report and Accounts to 3 April 2020.

Management has updated the assessment of Going Concern, which included reviewing financial forecasts and projections to 30 June 2022. Within these financial projections, management reviewed profit and net cash flow, and tested financial covenants in the period. No issues were found.

The financial forecasts have been stress tested to determine the required sales decline versus the Going Concern scenario before the covenant conditions were breached. This assessment also included variable and other cost saving measures the Group would employ in this scenario and showed that sales would have to reduce by (24.0%) before the first covenant condition is broken. Management believe that this is a significant material event which is highly unlikely to occur in the next 15 months.

If sales were to reduce by (24%), then further actions could be taken by management to prevent the breach. The key mitigating action would be to halt strategic investment in FY22, which would provide further headroom of c.5% of sales decline.

The Audit Committee recently reviewed the corporate risk register and confirmed that it gave no reason not to adopt the Going Concern principle.

The Group ended the year in a positive net debt position pre-IFRS 16 of £58.1m and continues to be cash generative. The Group has a revolving credit facility of £180.0m at the date of approval of these financial statements, expiring on 3 December 2023. The Group has no other debt or facilities. Significant headroom exists on both financial covenants contained within the banking agreement.

Covenant	FY21	FY20
Interest payable to EBITDAR >1.5	2.5	2.1
Net borrowings to EBITDA <3.0	(0.4)	0.8

The Group ends the year in a net current liabilities position (£57.4m). If required to settle the amount, the Group would utilise the undrawn revolving credit facility.

The Board has a reasonable expectation that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due; retain sufficient available cash and not breach any covenants under any drawn facilities over the remaining term of the current facilities. They do not consider there to be a material uncertainty around the Group's or the Company's ability to continue as a Going Concern.

Government Support
Support payments are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the monies will be received.

Support payments receivable as compensation for expenses already incurred are recognised in profit or loss within operating costs, in the period in which they become receivable. During the period support and other payments received equated to £49.6m in relation to business rates relief, furlough support and related salary savings. The Group has made the decision to repay the amounts received in relation to furlough support (£10.5m), this was repaid during the period therefore, a £nil balance will be presented in Note 4.

Basis of Consolidation

Subsidiary Undertakings

A subsidiary investment is an entity controlled by **Halfords**. Control is achieved when **Halfords** is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power, directly or indirectly, over the investee.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case an appropriate adjustment would be made.

The financial statements of all subsidiary undertakings are prepared to the same reporting date as the Company. All subsidiary undertakings have been consolidated.

The subsidiary undertakings of the Company at 2 April 2021 are detailed in Note 4 to the Company balance sheet on page 193.

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred.

The identifiable assets, liabilities and contingent liabilities of the acquired entity that meet the conditions for recognition under IFRS 3 “Business combinations” are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group’s interest in the net fair value of these elements exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Revenue Recognition

The Group recognises revenue when it has satisfied its performance obligations to external customers and the customer has obtained control of the goods or services being transferred.

The revenue recognised is measured at the transaction price received and is recognised net of value added tax, discounts, and commission charged and received from third parties for providing credit to customers.

The Group operations comprise the retailing of automotive, leisure and cycling products and car servicing and repair operations. The table below summarises the revenue recognition policies for different categories of products and services offered by the Group.

For the vast majority of revenue streams, there is a low level of judgement applied in determining the transaction price or the timing of transfer of control.

Products and services	Nature, timing and satisfaction of performance obligations and significant payment terms
Automotive, leisure and cycling products, car servicing and repair operations	The majority (both value and volume) of the Group’s sales are for standalone products and services made direct to customers at standard prices either in-store or online. In these cases all performance obligations are satisfied, and revenue recognised, when the product or service is transferred to the customer. The customer pays in full at the same point in time. Where customers pay in advance online, the sale is recognised upon collection of the goods. In the case of Cycle to Work a company will pay to be part of the scheme on a contracted basis but the balance will be held on the balance sheet until the product or service has been transferred to the customer, at which point revenue is recognised.
Service and repair plans	The Group offers various service and repair plans to customers. The Group recognises revenue on these on a straight-line basis over the period of the plan. The performance obligation of the Group, being the level of service and repair offered with the plan, will be the period of the plan and therefore revenue should be recognised over this period. The product is paid for on commencement of the plan, and unrecognised income is held within trade and other payables.
Product warranties	Certain products, principally motoring and cycling, have a warranty period attached which is built in to the price of the product rather than being sold separately as an incremental purchase. The warranty element has been identified as a separate performance obligation to the sale of the product, and given it is not sold separately, a transaction price has been allocated for the warranty element based on the expected cost approach. This element of revenue is recognised on a straight-line basis over the period of the plan. The performance obligation of the Group, being the rectification of faults on products sold, will be the period over which the customer can exercise their rights under the warranty and therefore revenue should be recognised over this period. The full price of the product is paid for on commencement of the warranty, and unrecognised income is held within trade and other payables.

Accounting Policies

Returns
A provision for estimated returns is made based on the value of goods sold during the year which are expected to be returned and refunded after the year end based on past experience.

The sales value of the expected returns is recognised within provisions, with the cost value of goods expected to be returned recognised as a current asset within inventories.

Gift Cards
Deferred income in relation to gift card redemptions is estimated on the basis of historical returns and redemption rates.

Supplier Income
As is common in the retail industry, the Group receives income from their suppliers based on specific agreements in place. These enable the Group to share the costs and benefits of promotional activity and volume growth and are explained below. This supplier income received is recognised as a deduction from cost of sales based on the entitlement that has been earned up to the balance sheet date for each relevant supplier agreement. The Group receives other contributions that do not meet the definition of supplier income, including, but not limited to, marketing, advertising and promotion contributions that are offset against the costs included in administrative expenses to which they relate.

The supplier income arrangements are often not co-terminus with Group's financial period end. Such income is only recognised when there is reasonable certainty that the conditions for recognition have been met by the Group, and the income can be reliably measured based on the terms of the contract. The Group is sometimes required to estimate the amounts due from suppliers at year end. However, as the majority of supplier income is confirmed before the year end, the level of estimation and judgement required is limited.

Supplier income is recognised on an accruals basis, based on the entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued supplier income is included within trade and other receivables.

Supplier income comprises:

- **Rebates** – typically these are based on the volume of purchases of goods for resale. These are earned based on purchase triggers over set periods of time. In some cases, rebates will also be received to support promotional pricing.
- **Fixed contributions** – typically these will be for cost price discounts or for favourable positioning of products in store.

Supplier income recognised is recorded against cost of sales and inventory, which is adjusted to reflect the lower purchase cost for the goods on which the income has been earned. Depending on the agreement with the supplier, supplier income is either received in cash from the supplier or netted off payments made to suppliers.

Finance Income
Finance income comprises interest income on funds invested. Income is recognised, as it accrues in profit or loss, using the effective interest rate method.

Non-underlying Items
Non-underlying items are those items that are unusual because of their size, nature (one-off, non-trading costs) or incidence, or relate to significant strategic projects. The Group's management considers that these items should be separately identified within their relevant income statement category to enable a full understanding of the Group's results.

Earnings Per Share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

The Group has also chosen to present an alternative earnings per share measure, with profit adjusted for non-underlying items. A reconciliation of this alternative measure to the statutory measure required by IFRS is given in Note 9.

Foreign Currency Translation
Functional and Presentation Currency
The consolidated financial statements are presented in pounds sterling, which is the Group's presentation currency and are rounded to the nearest hundred thousand. Items included in the financial statements of the Group's entities are measured in pounds sterling which is the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and Balances
Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement with the exception of differences on transactions that are subject to effective cash flow hedges, which are recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations are translated to sterling at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to sterling at an average exchange rate. Foreign currency differences are recognised in other comprehensive income and a separate component of equity. When a foreign operation is disposed of, the relevant amount in equity is transferred to profit or loss.

Employee Benefits

i) Pensions

The **Halfords** Pension Plan is a contract-based plan, where each member has their own individual pension policy, which they monitor independently. The Group pays fixed contributions and has no legal or constructive obligation to pay further amounts. The costs of contributions to the scheme are charged to the income statement in the period that they arise.

ii) Share-based Payment Transactions

The Group operates a number of equity-settled share-based compensation plans.

The fair value of the employee services received under such schemes is recognised as an expense in the income statement. Fair values are determined by use of an appropriate pricing model and incorporate an assessment of relevant market performance conditions.

The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

At each balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity.

Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted, at the reporting date, and any adjustment to tax payable in respect of previous years.

The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.

The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue which is received in advance, the tax base of the resulting liability is its carrying amount, less any amount of the revenue that will not be taxable in future periods.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is calculated using rates that are expected to apply when the related deferred asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Under IFRIC23, the Group holds no provisions against uncertain tax positions.

Dividends

Final dividends are recognised in the Group's financial statements in the period in which the dividends are approved by shareholders. Interim equity dividends are recognised in the period they are paid.

Accounting Policies

Intangible Assets

i) Goodwill

Goodwill is initially recognised as an asset at cost and is reviewed for impairment at least annually. Goodwill is subsequently measured at cost less any accumulated impairment losses. An impairment charge is recognised in profit or loss for any amount by which the carrying value of goodwill exceeds its recoverable amount.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

For acquisitions prior to 3 April 2010 costs directly attributable to business combinations formed part of the consideration payable when calculating goodwill. Adjustments to contingent consideration, and therefore the consideration payable and goodwill, are made at each reporting date until the consideration is finally determined.

Acquisitions after this date fall under the provisions of 'Revised IFRS 3 Business Combinations (2008)'. For these acquisitions transaction costs, other than share and debt issue costs, will be expensed as incurred and subsequent adjustments to the fair value of contingent consideration payable will be recognised in profit or loss.

ii) Computer Software

Costs that are directly associated with identifiable and unique software products controlled by the Group, and that will generate economic benefits beyond one year are recognised as intangible assets. These intangible assets are stated at cost less accumulated amortisation and impairment losses. Software is amortised over three to five years, depending on the estimated useful economic life.

iii) Acquired Intangible Assets

Intangible assets that are acquired as a result of a business combination are recorded at fair value at the acquisition date, provided they are identifiable and capable of reliable measurement.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Brand names and trademarks – 2 years, in respect of Autocentres, and 10 years in respect of *c.*Boardman;
- Supplier relationships – 5 to 15 years;
- Customer relationships – 5 to 15 years; and
- Favourable leases – over the term of the lease.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Property, Plant and Equipment

Property, plant and equipment is held at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight-line basis over their useful economic lives as follows:

- Freehold properties are depreciated over 50 years;
- Leasehold premises with lease terms of 50 years or less are depreciated over the remaining period of the lease;
- Leasehold improvements are depreciated over the period of the lease to a maximum of 25 years;
- Motor vehicles are depreciated over 3 years;
- Fixtures, fittings and equipment are depreciated over 4 to 10 years according to the estimated life of the asset;
- Computer equipment is depreciated over 3 years; and
- Land is not depreciated.

Depreciation is expensed to the income statement within operating expenses.

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed annually and adjusted if appropriate.

Impairment of Assets

Tangible and intangible assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment relating to Retail stores or for Car Servicing garages are grouped on an individual store or garage basis.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Leases

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

As lessee

The Group leases various offices, warehouses, retail stores, car servicing garages, equipment and vehicles. Rental contracts are typically made for fixed periods between 3 months and 25 years, but may have break clauses or extension options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

At the commencement date of property leases the Group determines the lease term to be the full term of the lease. Extension options (or periods after termination options) are included in the lease term if there is reasonable certainty of exercising these options. Leases are regularly reviewed on an individual basis and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised. These are used to maximise the operational flexibility in terms of managing the assets used in the Group's operations.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group; and
- makes adjustments specific to the lease, for example location, type of property.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

For leases acquired as part of a business combination, the lease liability is measured at the present value of the remaining lease payments. The right-of-use asset is measured at the same amount as the lease liability adjusted to reflect favourable or unfavourable terms of the lease when compared to market terms.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying value of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

The right-of-use assets are considered for impairment at each reporting date, see note 14.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets (<£5,000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise warehousing, IT and telephone equipment.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes purchase costs, adjusted for rebates and other costs incurred in bringing them to their existing location.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Details of the provisions recognised and the estimates and judgements can be seen in Note 21.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is certain.

A wear and tear provision is recognised when there is future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Group's unavoidable cost of meeting its obligations under the lease contracts. Key uncertainties are the estimates of amounts due.

Provisions for employer and product liability claims are recognised when an incident occurs or when a claim made against the Group is received that could lead to there being an outflow of benefits from the Group. The provision is based on management's best estimate of the settlement assisted by an external third party. The main uncertainty is the likelihood of success of the claimant and hence the pay-out, however, a provision is only recognised where there is considered to be reasonable grounds for the claim.

Cash and Cash Equivalents

Cash and cash equivalents on the consolidated statement of financial position comprise cash at bank and in hand, cash held in trust and short-term deposits with original maturities of less than 90 days which are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, net cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

Financial Instruments

i) Recognition and Initial Measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – equity instrument; or Fair Value through Profit or Loss (FVTPL). A financial liability is measured at either amortised costs or FVTPL.

ii) Classification and Subsequent Measurement

Financial assets

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (Note 22). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a CGU level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the business unit and the operation of those policies in practice. This includes whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate portfolio, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the business unit is evaluated and reported to Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business unit) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss. However, see Note 22 for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and never reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit and loss. All other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net position presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v) Derivatives

Derivative financial instruments are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced products. The Group does not hold or issue derivative financial instruments for trading purposes. The Group uses the derivatives to hedge highly probable forecast transactions and therefore the instruments are largely designated as cash flow hedges.

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and hedging instrument are expected to offset each other.

The effective element of any gain or loss from remeasuring the derivative instrument is recognised in OCI and accumulated in the hedging reserve. Any element of the remeasurement of the derivative instrument that does not meet the criteria for an effective hedge is recognised immediately in the Group Income Statement within cost of sales.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is recognised immediately in profit or loss.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months or, as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months.

vi) Impairment
The Group recognises loss allowances for expected credit losses ("ECLs") on financial asset measured at amortised cost. Trade receivables are always measured at an amount equal to lifetime ECL. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. There is limited exposure to ECLs due to the business model.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the financial asset is more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Estimates and Judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are detailed below:

Allowances Against the Carrying Value of Inventories

The Group reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make estimates as to future demand requirements and to compare these with the current or committed inventory levels. Assumptions have been made relating to the timing and success of product ranges, which would impact estimated demand and selling prices. These assumptions have been reviewed in light of COVID-19.

A sensitivity analysis has been carried out on the carrying value of inventory, including consideration of the uncertainties arising from COVID-19. A 10% change in provisions applied to clearance stock would impact the net realisable value of inventories by £0.7m. A 10% change in the current selling price of products would impact the net realisable value of inventories by £0.2m.

Impairment of Assets within Retail and Car Servicing

Goodwill and other assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable value may be less than their carrying value. Recoverable amount is based on a calculation of expected future cash flows, which includes management assumptions and estimates of future performance. Details of the assumptions used in the impairment review of goodwill and other assets are explained in Note 11.

The carrying amount of these assets and liabilities can be seen in the notes to the financial statements on pages 165 to 189. Sensitivity analysis on the key assumption in the value-in-use calculations has been undertaken on the two Group cash-generating units (Retail and Car Servicing) independently of one another, which found that there is adequate amount of headroom before an impairment could be triggered. For further information see Note 11.

Lease Terms and Incremental Borrowing Rate

Under IFRS 16, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, adjusted to take into account the risk associated with the length of the lease which ranges between 1 and 25 years and the location of the lease. The Group has therefore made a judgement to determine the incremental borrowing rate used. The weighted average incremental borrowing rate in FY21 was 2.51%. **Halfords** review the incremental borrowing rate against the property yields to ensure the rates move appropriately against the weighted average reference rate for UK properties and concluded the rates appear reasonable.

Management exercises judgment in determining the lease term of its lease contracts. In determining lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores, autocentres and equipment, the following factors are normally the most relevant:

- Review of profitability of each store and garage
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate)

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in vehicle leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

National Minimum Wage

HMRC conducted an investigation into national minimum wage liability across the **Halfords** Group. The Group has continued to work with HMRC and external advisors during FY21 and a full data validation exercise is underway to determine the required Notice of Underpayment. The exercise is in progress and based on information available to date and the Group's assessment of a range of potential outcomes, management has increased the provision to £3.4m which represents management's best estimate of the value of underpayments and the associated penalty charge.

Adoption of New and Revised Standards

The following standards and interpretations are applicable to the Group and were adopted in the current period as they were mandatory for the year ended 2 April 2021 but either had no material impact on the result or net assets of the Group or were not applicable.

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19 Related Rent Concessions (Amendments to IFRS 16).

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or considered immaterial.

New Standards and Interpretations Not Yet Adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 3 April 2021:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.

The Group is currently assessing the impact of these new accounting standards and amendments.

Notes to the Financial Statements

1. Operating Segments

The Group has two reportable segments, Retail and Car Servicing, which are the Group's strategic business units. Car Servicing became a reporting segment of the Group as a result of the acquisition of Nationwide Autocentres on 17 February 2010. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of automotive, leisure and cycling products through retail stores. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from Autocentres and mobile vans.

The Chief Operating Decision Maker is the Executive Directors. Internal management reports for each of the segments are reviewed by the Executive Directors on a monthly basis. Key measures used to evaluate performance are Revenue and Operating Profit. Management believes that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment operating profit, as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies, with IFRS 16 accounting entries applied at a Group level.

All material operations of the reportable segments are carried out in the UK and Republic of Ireland and all material non-current assets are located in the UK and Republic of Ireland. Revenue from stores within the Republic of Ireland were £40.0m, 3.8% of retail revenue (FY20: £41.3m, 4.3% of retail revenue). The Group's revenue is driven by the consolidation of individual small value transactions and, as a result, Group revenue is not reliant on a major customer or group of customers. All revenue is from external customers.

Income statement	Retail £m	Car Servicing £m	52 weeks to 2 April 2021 Total £m
Revenue	**1,039.8**	**252.5**	**1,292.3**
Segment result before non-underlying items	91.4	12.7	104.1
Non-underlying items	(33.6)	(3.7)	(37.3)
Segment result	**57.8**	**9.0**	**66.8**
Unallocated expenses[1]			(2.3)
Operating profit pre IFRS 16			**64.5**
IFRS 16 – underlying			12.7
IFRS 16 – non-underlying			2.3
Operating profit post IFRS 16			**79.5**
Finance income			–
Finance costs			(15.0)
Profit before tax			**64.5**
Taxation			(11.3)
Profit for the year			**53.2**
Products and services transferred at a point in time	983.9	226.5	1,210.4
Products and services transferred over time	55.9	26.0	81.9
Revenue	**1,039.8**	**252.5**	**1,292.3**

Notes to the Financial Statements

1. Operating Segments continued

Income statement	Retail £m	Car Servicing £m	53 weeks to 3 April 2020 Total £m
Revenue	961.0	194.1	1,155.1
Segment result before non-underlying items	52.0	5.5	57.5
Non-underlying items	(29.5)	(2.6)	(32.1)
Segment result	22.5	2.9	25.4
Unallocated expenses[1]			(2.1)
Operating profit pre IFRS 16			23.3
IFRS 16 – underlying			11.8
IFRS 16 – non-underlying			(2.1)
Operating profit post IFRS 16			33.0
Finance income			0.3
Finance costs			(13.9)
Profit before tax			19.4
Taxation			(1.9)
Profit for the year			17.5
Products and services transferred at a point in time	913.5	168.3	1,081.8
Products and services transferred over time	47.5	25.8	73.3
Revenue	961.0	194.1	1,155.1

1. Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision Maker and include an amortisation charge of £2.3m in respect of assets acquired through business combinations (2020: £2.1m).

Other segment items:	**Retail £m**	**Car Servicing £m**	**52 weeks to 2 April 2021 Total £m**
Capital expenditure	**23.3**	**22.0**	**45.2**
Depreciation and impairment expense of property, plant and equipment	**19.1**	**4.7**	**23.8**
Impairment of right-of-use asset	**11.6**	**0.6**	**12.2**
Amortisation of right-of-use assets	**58.2**	**11.4**	**69.6**
Amortisation expense	**9.6**	**1.2**	**10.8**

Other segment items:	Retail £m	Car Servicing £m	53 weeks to 3 April 2020 Total £m
Capital expenditure	28.8	18.0	46.8
Depreciation and impairment expense of property, plant and equipment and intangibles	25.0	4.7	29.7
Impairment of right-of-use asset	8.5	0.9	9.4
Amortisation of right-of-use assets	63.7	9.9	73.6
Amortisation expense	8.5	0.8	9.3

There have been no transactions between segments in the 52 weeks ended 2 April 2021 (2020: £nil).

2. Operating Expenses

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
Selling and distribution costs	**422.9**	436.0
	422.9	436.0
Administrative expenses, before non-underlying items	**118.9**	86.5
Non-underlying administrative expenses (see note 5)	**35.0**	34.2
	153.9	120.7
	576.8	556.7

3. Operating Profit

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £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	**0.7**	0.6
Expenses relating to short term leases	**5.6**	2.5
Rentals receivable under operating leases	**(2.7)**	(3.0)
Landlord surrender premiums	**0.1**	(0.6)
Loss on disposal of property, plant and equipment and intangibles	**1.7**	2.8
Amortisation of intangible assets	**12.9**	11.4
Amortisation of right-of-use assets	**69.6**	73.6
Depreciation of:		
– owned property, plant and equipment	**21.0**	24.3
Impairment of:		
– owned property, plant and equipment	**2.8**	5.4
– impairment of right-of-use assets	**12.2**	9.4
Trade receivables impairment	**0.1**	0.2
Staff costs (see Note 4)	**299.6**	256.2
Cost of inventories consumed in cost of sales	**629.1**	563.8

The total fees payable by the Group to BDO LLP and their associates during the period was £0.6m (2020: £0.6m), in respect of the services detailed below:

For the period	52 weeks to 2 April 2021 £000	53 weeks to 3 April 2020 £000
Fees payable for the audit of the Company's accounts	**43.0**	43.0
Fees payable to BDO LLP and their associates in respect of:		
The audit of the Company's subsidiary undertakings, pursuant to legislation	**447.0**	487.0
Audit-related assurance services	**78.0**	55.0
Other	**11.0**	–
	579.0	585.0

Notes to the Financial Statements

4. Staff Costs

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
The aggregated remuneration of all employees, including Directors, comprised:		
Wages and salaries	**262.3**	232.1
Redundancies included in non-underlying items	**5.9**	0.6
Social security costs	**19.2**	17.0
Equity settled share-based payment transactions (Note 24)	**6.4**	1.1
Contributions to defined contribution plans (Note 26)	**5.8**	5.4
	299.6	256.2

For the period	Number	Number
Average number of persons employed by the Group, including Directors, during the period:		
Stores/Autocentres	**9,635**	9,437
Central warehousing	**642**	595
Support Centre	**1,009**	975
	11,286	11,007

Furlough payments of £10.5m were received during the period, these were subsequently repaid on the basis of improved trading results.

Key Management Compensation

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
Salaries and short-term benefits	**6.4**	3.1
Compensation for loss of office	**0.3**	–
Social security costs	**0.6**	0.5
Pensions	**0.3**	0.3
Share-based payment charge	**3.5**	–
	11.1	3.9

Key management compensation includes the emoluments of the Board of Directors (including Non-Executive Directors) and the emoluments of the **Halfords** Limited and **Halfords** Autocentres management boards.

Full details of the Directors' remuneration and interests are set out in the audited tables in the Directors' Remuneration Report on pages 126 to 135 which form part of these financial statements.

5. Non-underlying Items

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
Non-underlying operating expenses:		
Organisational restructure costs (a)	**5.9**	2.8
Group-wide strategic review (b)	**–**	1.0
Closure costs (c)	**26.0**	26.8
Acquisition and investment-related fees (d)	**0.6**	1.9
One-off claims (e)	**2.9**	0.8
Impairment of right-of-use asset (f)	**(0.4)**	0.9
Non-underlying items before tax	**35.0**	34.2
Tax on non-underlying items (g)	**(6.1)**	(5.0)
Non-underlying items after tax	**28.9**	29.2

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

Current period costs comprised:

- Costs relating to a strategic redesign of our instore operating model undertaken to better meet our customers' expectations and deliver a consistent shopping experience across our estate. Redundancy costs of £5.9m were incurred to transition to the new operating model. These costs have materially been spent during the year.

5. Non-underlying Items continued

Prior period costs comprised:

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

b. In the prior period costs were incurred in preparing and implementing the new Group strategy.

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

c. Of the closure costs £28.5m represents costs associated with the closure of a number of stores and garages following a strategic review of the profitability of the physical estate. The costs mostly relate to the impairment of right-of-use assets (£12.2m), tangible assets and ongoing onerous commitments under the lease agreements and other costs associated with the property exits.

Closure costs in the prior period represented costs associated with the closure of the operations of Cycle Republic and the Boardman Performance Centre ("Cycle Republic") following a strategic review of the Group's cycling businesses. The costs mostly relate to the impairment of right-of-use assets, intangible assets, tangible assets and inventories. £2.5m of these costs have been reversed during the year as the Group continues to negotiate lease disposals and was able to release stock provisions previously in place (£1.8m).

d. In the current and prior period costs were incurred in relation to the investment in Universal Tyres, McConechy's Tyre Services and Tyres On The Drive.

- In FY21, £0.6m relating to professional fees in respect of the acquisition of Universal Tyre Services;
- Tyres On The Drive acquisition costs comprised of £1.0m (FY20) principally relating to the costs of dual running **Halfords** Mobile Expert and Tyres on The Drive, as well as the write off of sales income due from Tyres On the Drive in respect of **Halfords** Mobile Expert prior to acquisition; and
- £0.9m (FY20) relating to professional fees in respect of the acquisition of McConechy's Tyres Services

e. During the prior year, the Group incurred £0.2m in settling a court case. In addition, a provision of £0.6m was created in relation to the HMRC audit relating to the national minimum wage. The Group has continued to work with HMRC and external advisors during FY21 and a full data validation exercise is underway to determine the required Notice of Underpayment. The exercise is in progress and based on information available to date and the Group's assessment of a range of potential outcomes, management has increased the provision to £3.4m which represents management's best estimate of the value of underpayments and the associated penalty charge.

f. In light of the ongoing COVID-19 pandemic, the Group revised future cash flow projections for stores and garages. As a result, in FY20 £0.9m incremental impairment has been recognised 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. This charge is directly attributable to impairment due to COVID-19 and relates primarily to the right-of-use asset value. During the year, £0.4m of this impairment has been reversed as the stores and garages have returned to a profitable position.

g. The tax credit of £6.1m represents a tax rate of 17.4% applied to non-underlying items. The prior period represents a tax credit at 14.6% applied to non-underlying items.

6. Finance Income and Costs

Recognised in profit or loss for the period	**52 weeks to 2 April 2021 £m**	53 weeks to 3 April 2020 £m
Finance costs:		
Bank borrowings	**(2.5)**	(1.6)
Amortisation of issue costs on loans	**(1.1)**	(0.4)
Commitment and guarantee fees	**(1.1)**	(0.6)
Other interest payable	**(0.3)**	–
Interest payable on lease liabilities	**(10.0)**	(11.3)
Finance costs	**(15.0)**	(13.9)
Finance income:		
Bank and similar interest	**–**	0.3
Finance income	**–**	0.3
Net finance costs	**(15.0)**	(13.6)

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7. Taxation

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
Current taxation		
UK corporation tax charge for the period	**16.9**	5.4
Adjustment in respect of prior periods	**(1.0)**	(0.5)
	15.9	4.9
Deferred taxation		
Origination and reversal of temporary differences	**(4.7)**	(1.5)
Adjustment in respect of prior periods	**0.1**	(1.5)
	(4.6)	(3.0)
Total tax charge for the period	**11.3**	1.9

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

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
Profit before tax	**64.5**	19.4
UK corporation tax at standard rate of 19% (2020: 19%)	**12.3**	3.7
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.9**	0.5
Employee share options	**(1.3)**	-
Other disallowable expenses	**0.6**	0.8
Adjustment in respect of prior periods	**(0.9)**	(1.9)
Impact of overseas tax rates	**(0.3)**	(0.3)
Impact of change in tax rate on deferred tax balance	**–**	(0.9)
Total tax charge for the period	**11.3**	1.9

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 2 April 2021 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the impact to the closing deferred tax position would be to increase the deferred tax asset by £3.9m.

The effective tax rate of 17.5% (2020: 9.7%) is lower than the UK corporation tax rate principally due to the impact of deferred tax on accounting for share options and adjustments in respect of provisions held in respect of prior periods.

The tax charge for the period was £11.3m (2020: £1.9m), including a £6.1m credit (2020: £5.0m credit) in respect of tax on non-underlying items.

An income tax credit of £1.6m (2020: £0.7m charge) on other comprehensive income relates to the movement in fair valuing forward currency contracts outstanding at the year end. No other items within other comprehensive income have a tax impact.

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

In this period, the Group's contribution from both taxes paid and collected exceeded £170m (2020: £208m) with the main taxes including corporation tax of £10.8m (2020: £16.3m), net VAT of £97.4m (2020: £101.4m), employment taxes of £61.2m (2020: £54.3m) and business rates of £0.9m (2020: £36.3m).

8. Dividends

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
Equity – ordinary shares		
Final for the 52 weeks to 3 April 2020 – (52 weeks to 29 March 2019: 12.39p)	–	24.4
Interim for the 52 weeks to 2 April 2021 – (53 weeks to 3 April 2020: 6.18p)	–	12.2
	–	36.6

In addition, the Directors are proposing a final dividend of £9.9m at 5.0p per share (2020: £nil) in respect of the financial period ended 2 April 2021.

9. 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 (see Note 23) 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 2 April 2021.

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. This measure is defined on page 201.

For the period	52 weeks to 2 April 2021 Number of shares m	53 weeks to 3 April 2020 Number of shares m
Weighted average number of shares in issue	199.1	199.1
Less: shares held by the Employee Benefit Trust (weighted average)	(2.0)	(2.1)
Weighted average number of shares for calculating basic earnings per share	197.1	197.0
Weighted average number of dilutive shares	4.9	3.3
Weighted average number of shares for calculating diluted earnings per share	202.0	200.3

For the period	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
Basic earnings attributable to equity shareholders	53.2	17.5
Non-underlying items (see Note 5):		
Operating expenses	35.0	34.2
Tax on non-underlying items	(6.1)	(5.0)
Underlying earnings before non-underlying items	82.1	46.7

Earnings per share is calculated as follows:

For the period	52 weeks to 2 April 2021	53 weeks to 3 April 2020
Basic earnings per ordinary share	27.1p	8.9p
Diluted earnings per ordinary share	26.4p	8.7p
Basic underlying earnings per ordinary share	41.7p	23.7p
Diluted underlying earnings per ordinary share	40.7p	23.3p

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10. Acquisition of Subsidiaries

Universal

On 18 March 2021, the Group acquired 100% of the issued share capital of The Universal Tyre Company (Deptford) Limited and its subsidiary companies (see page 193) ("Universal") for a cash consideration of £14.0m (excluding transaction costs) and deferred consideration of £1.0m. The acquired businesses comprise a number of garages and a fleet of vans which provide support for commercial customers, based in the South East of England. The principal reason for the acquisition was to build on the commercial fleet customer base and expand presence in the South and South East of England.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows (fair value is used apart from leases, contingent liabilities and income taxes).

	Book value £m	Fair value adjustment £m	IFRS 16 adjustment £m	Final fair value £m
Universal net assets at the acquisition date				
Intangible assets	0.5	2.1	–	2.6
Tangible assets	6.0	1.4	2.7	10.1
Inventories	3.2	–	–	3.2
Assets held for sale	0.4	–	–	0.4
Trade and other receivables	5.7	–	–	5.7
Cash	4.2	–	–	4.2
Trade and other payables	(6.6)	(0.4)	(2.7)	(9.7)
Other taxation and social security	(1.0)	–	–	(1.0)
Borrowings	(1.7)	–	–	(1.7)
Current tax liabilities	(0.2)	–	–	(0.2)
Deferred tax liability	(0.2)	(0.5)	–	(0.7)
Total	**10.3**	**2.6**	–	**12.9**

Goodwill

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

	£m
Total cash consideration	14.0
Total deferred consideration	1.0
Less fair value of identifiable (assets)/liabilities	(12.9)
Goodwill	2.1
Intangible Assets:	
Customer relationships	1.6
Other	0.2
Brand names	0.8
Total	**2.6**

None of the goodwill acquired is expected to be deductible for income tax purposes. The goodwill constitutes value of locational benefits giving **Halfords** ability to expand growth within the South and South East of England and also increase presence in the commercial fleet marketplace.

The Universal businesses contributed £1.4m revenue and a profit of £0.1m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of the Universal businesses had been completed on the first day of the financial year, Group revenues for the period would have been £30.0m higher and Group profit before tax would have been £1.0m higher (before amortisation of intangible assets arising on consolidation £nil).

Acquisition costs of £0.6m arose as a result of the transaction. These have been recognised as part of non-underlying costs in the consolidated income statement.

11. Intangible Assets

	Brand names and trademarks £m	Customer relationships £m	Supplier relationships £m	Favourable leases £m	Computer software £m	Goodwill £m	Total £m
Cost							
At 29 March 2019	9.8	14.9	7.8	2.3	67.6	364.7	467.1
Additions	0.7	2.0	–	–	12.5	7.6	22.8
Reclassification to right-of-use assets	–	–	–	(2.3)	–	–	(2.3)
Disposals	–	–	–	–	(2.1)	–	(2.0)
At 3 April 2020	10.5	16.9	7.8	–	78.0	372.3	485.5
Additions	1.0	–	1.6	–	11.8	2.1	16.5
Disposals	–	–	–	–	(2.1)	–	(2.1)
At 2 April 2021	**11.5**	**16.9**	**9.4**	–	**87.7**	**374.4**	**499.9**
Amortisation and impairment							
At 29 March 2019	3.6	11.3	1.4	0.8	40.9	21.7	79.7
Charge for the period	0.7	0.7	0.5	0.1	9.4	–	11.4
Reclassification to right-of-use assets	–	–	–	(0.9)	–	–	(0.9)
Disposals	–	–	–	–	(0.4)	–	(0.4)
At 3 April 2020	4.3	12.0	1.9	–	49.9	21.7	89.8
Charge for the period	0.8	0.7	0.5	–	10.9	–	12.9
Disposals	–	–	–	–	(1.1)	–	(1.1)
At 2 April 2021	**5.1**	**12.7**	**2.4**	–	**59.7**	**21.7**	**101.6**
Net book value at 2 April 2021	**6.4**	**4.2**	**7.0**	–	**28.0**	**352.7**	**398.3**
Net book value at 3 April 2020	6.2	4.9	5.9	–	28.1	350.6	395.7

No intangible assets are held as security for external borrowings.

Goodwill is allocated to two groups of cash-generating units (CGU's), being Retail and Car Servicing as follows:

1) Retail

Goodwill of £253.1m arose on the acquisition of **Halfords** Holdings Limited by the Company on 31 August 2002 and is allocated to the Retail segment. The goodwill relates to a portfolio of sites within the UK which management monitors on an overall basis as a group of cash-generating units being Retail. Goodwill of £10.7m arose on the acquisition of Boardman Bikes Limited and Boardman International Limited on 4 June 2014 which form part of the Retail offering.

Goodwill of £9.5m arose on the acquisition of Tredz Limited and Wheelies Direct Limited on 23 May 2016 and is allocated to the Retail segment. The goodwill relates to the two entities which management monitors on an overall basis as part of the Retail cash-generating unit.

2) Car Servicing

Goodwill of £69.7m arose on the acquisition of Nationwide Autocentres on 17 February 2010 and is allocated to the Car Servicing segment. The goodwill relates to a portfolio of centres within the UK which management monitors on an overall basis as a group of cash-generating units being Car Servicing.

During the current period Autocentres acquired The Universal Tyre Company (Deptford) Limited with goodwill of £2.1m. This acquisition has been allocated to the Car Servicing segment. The goodwill relates to a portfolio of garages and fleet vans within the south of England which management monitors on an overall basis as part of the Car Servicing cash-generating unit.

During the prior period Autocentres acquired McConechy's Tyre Service Limited with goodwill of £6.9m and Tyres on the Drive with goodwill of £0.7m. These acquisitions were allocated to the Car Servicing segment. The goodwill relates to a portfolio of garages within Scotland which management monitors on an overall basis as part of the Car Servicing cash-generating unit.

The goodwill arising on the acquisition of the Nationwide Autocentres is attributable to a) future income to be generated from new retail, fleet customer contracts and related relationships, b) the workforce, c) the value of immaterial other intangible assets, and d) operating synergies. The goodwill on acquisition of the Boardman Bikes is attributable to a) operating synergies and increased control of operations, b) the value of immaterial other intangible assets, and c) future income to be generated from new retail customer contracts and related relationships. The goodwill on acquisition of Tredz and Wheelies is attributable to a) assembled workforce and b) future expansion and growth opportunities.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount of goodwill is determined based on "value-in-use" calculations for each of the two groups of cash-generating units, being Retail and Car Servicing. This is the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 1.

Notes to the Financial Statements

11. Intangible Assets (continued)

This requires estimation of the present value of future cash flows expected to arise from the continuing operation of the CGU. Cash flow projections are based on financial budgets approved by management covering a five-year period, which are reviewed by the Board. Budgets are based on both past performance and expectations for future market development, linked to the strategy of the Group as set out in the Strategic Report section in these financial statements.

The five-year plan assumes like for like sales growth to remain at the same level as that applied within the FY22 going concern projections within the Retail Motoring Markets, a small growth on the FY22 going concern projections in the Autocentres (4%) and McConechys (1%) market due to share gains and a stronger growth in the **Halfords** Mobile Expert (8.8%) market as we scale the number of vans from 143 to at least 200. Retail Cycling has a single digit growth rate assumed as we expect infrastructure investments by the Government suggesting strong growth rate in the market. Forecasts prepared have been risk adjusted to recognise ongoing uncertainty caused by COVID-19.

Cash outflows required to replace leased assets which are essential to the ongoing operation of the CGU were also considered and the estimates informed by the Group's recent lease negotiations. Management has considered other reasonably possible changes in key assumptions that would cause the carrying amounts of goodwill to exceed the value in use for each asset.

The growth rates used to extrapolate cash flows beyond the plan period, as set out in the table below, do not exceed long-term industry averages and reflect the revenue growth and ongoing efficiency initiatives, and the relative maturity of the two CGUs. The growth rates for both the retail and car servicing CGUs have been reviewed and updated as required to reflect the current strategy.

The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the cash-generating units. The pre-tax discount rates used to calculate value in use are derived from the Group's post-tax weighted average cost of capital, incorporating the impact of IFRS 16, and adjusted for the specific risks relating to each cash-generating unit as required. The discount rates used are shown below:

		Retail		**Car Servicing**	
	Notes	**2021**	2020	**2021**	2020
Discount rate	1	**9.9%**	10.6%	**9.9%**	10.6%
Growth rate	2	**1.0%**	1.0%	**1.0%**	1.0%

Goodwill for the retail CGU was £273.3m (2020: £273.3m) and for the car servicing CGU was £79.4m (2020: £77.3m).

Notes:

1. Pre-tax discount rate applied to the cash flow projections.
2. Growth rate used to extrapolate cash flows beyond the five-year budget period.

Sensitivity analysis over the key assumptions in the value-in-use calculations has been undertaken inclusive of considerations of the ongoing effect of COVID-19. Modelling included looking at the effect of a 1% decrease in terminal growth rate and a 1% increase in the discount rate. Both separately and combined, these showed adequate headroom and due to the maturity of the business it is not deemed reasonable that these would move further. Further stress testing also took place which showed EBIT, and thus sales, would need to move by a significant percentage before an impairment would be triggered. Management did not believe this percentage movement was likely. Results of this sensitivity analysis are shown below:

	Retail 2021 £m	**Car Servicing 2021 £m**
Original headroom	**365.0**	**162.0**
Headroom using a discount rate increased by 1%	**247.0**	**121.0**
Headroom using 0% long term growth rate	**212.0**	**117.0**
Headroom combining -1% long term growth rate and +1% discount rate	**132.0**	**87.0**

Further modelling was also undertaken to review the point headroom would be reduced to £nil. For the carrying amount and recoverable amount to be equal within Retail cash generating unit, EBIT (pre-IFRS 16) would need to decrease by 43%, the pre-tax discount rate would need to increase by 3.2% and the long term growth rate would need to decrease by 3% (each sensitivity applied individually). For the carrying amount and recoverable amount to be equal within Car Servicing cash generating unit, EBIT (pre-IFRS 16) would need to decrease by 55%, the pre-tax discount rate would need to increase by 8.6% the long term growth rate would need to decrease by 5.7% (each sensitivity applied individually).

Based on the analysis summarised above the Directors were satisfied that no reasonably possible change in key assumptions would lead to an impairment, the Directors have concluded that the recoverable value of the Group's CGUs exceeded their carrying amount.

12. Property, Plant and Equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 29 March 2019	80.4	240.3	320.7
Reclassification to right-of-use assets	(13.7)	(3.5)	(17.2)
Additions	3.3	20.7	24.0
Disposals	(0.4)	(2.2)	(2.6)
At 3 April 2020	69.6	255.3	324.9
Additions	3.2	17.7	20.9
Additions from acquisitions	6.7	1.1	7.8
Transfer to assets held for sale	(6.0)	–	(6.0)
Disposals	(0.9)	(2.5)	(3.4)
At 2 April 2021	**72.6**	**271.6**	**344.2**
Depreciation and impairment			
At 29 March 2019	50.9	172.5	223.4
Reclassification to right-of-use assets	(7.5)	(1.6)	(9.1)
Depreciation for the period	4.2	20.1	24.3
Impairment for the period	0.6	4.8	5.4
Disposals	(0.4)	(1.8)	(2.2)
At 3 April 2020	47.8	194.0	241.8
Depreciation for the period	4.2	16.8	21.0
Impairment for the period	0.4	2.4	2.8
Disposals	(0.6)	(2.1)	(2.7)
At 2 April 2021	**51.8**	**211.1**	**262.9**
Net book value at 2 April 2021	**20.8**	**60.5**	**81.3**
Net book value at 3 April 2020	21.8	61.3	83.1

No fixed assets are held as security for external borrowings.

The impairment charge for the period of £2.8m mostly relates to tangible assets written off as part of the closure costs disclosed within non-underlying items (note 5).

13. Assets held for sale

	2 April 2021 £m	3 April 2020 £m
Freehold land and buildings	**6.0**	–
Total	**6.0**	–

Freehold land and buildings are stated at their carrying value. It relates to seven buildings acquired as part of the acquisition of The Universal Tyre Services (Deptford) Limited. Of the properties classified as held for sale six have been sold and leased back by the Group since the year end on lease terms of 15 years with a 10 year break.

Notes to the Financial Statements

14. 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 balance sheet

Right-of-Use Assets

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

The impairment charge for the period of £12.2m (2020: £9.4m) relates to the impairment of right-of-use assets in relation to the strategic project to close loss-making stores where a lease obligation still exists.

Lease Liabilities

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

Carrying value of lease liabilities included in the statement of financial position	**2 April 2021 £m**	3 April 2020 £m
Current liabilities	**63.4**	83.2
Non-current liabilities	**280.9**	332.8

14. Leases continued

Lease liabilities	2 April 2021 £m	3 April 2020 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**71.2**	92.9
Between one and two years	**68.8**	76.5
Between two and three years	**64.4**	65.1
Between three and four years	**55.1**	60.4
Between four and five years	**43.2**	51.6
Between five and six years	**28.4**	41.9
Between six and seven years	**19.3**	27.3
Between seven and eight years	**12.1**	18.2
Between eight and nine years	**5.3**	11.1
Between nine and ten years	**3.5**	4.3
After ten years	**3.5**	5.9
Total contractual cash flows	**374.8**	455.2

ii) Amounts recognised in the Consolidated Income Statement

	Land and buildings £m	Equipment £m	Total £m
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**
53 weeks ended 3 April 2020			
Amortisation charge on right-of-use assets	70.2	3.4	73.6
Interest on lease liabilities	11.1	0.2	11.3
Expenses relating to short-term leases	2.5	–	2.5
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	–	0.6	0.6

iii) Amounts recognised in Statement of Cash Flows

The total cash outflow for leases for the period ended 2 April 2021 was £95.9m (2020: £87.7m).

15. Inventories

	2021 £m	2020 £m
Finished goods for resale	**143.9**	173.0

Finished goods inventories include £14.9m (2020: £18.0m) of provisions to carry inventories at net realisable value where such value is lower than cost. During the period £1.8m of inventory provisions were released (no reversals in the prior period).

During the period £3.0m was recognised as an expense in respect of the write-down of inventories (2020: £6.9m) to net realisable value. No inventories are held as security for external borrowings.

Goods bought for resale recognised as a cost of sale amounted to £629.1m (2020: £563.8m).

Inventories at 2 April 2021 include a right to recover returned goods amounting to £2.1m (2020: £1.9m). These are measured by reference to the former carrying amount of the sold inventories.

An amount of £2.3m (FY20: £0.3m deduction) relating to supplier income was recognised as an increase in cost of sales in the period and the balance included in the year end provision is £5.6m (FY20: £7.9m).

Notes to the Financial Statements

16. Trade and Other Receivables

	2021 £m	2020 £m
Falling due within one year:		
Trade receivables	**29.5**	16.6
Other receivables	**27.9**	14.3
Prepayments and accrued income	**28.7**	22.6
	86.1	53.5

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 22.

Trade and other receivables at 2 April 2021 includes £7.5m (2020: £7.1m) relating to supplier income.

17. Cash and Cash Equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**67.2**	115.5

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of certain other Group companies. £6.4m (2020: £5.1m) of the Group's cash and cash equivalents included in the balance sheet and the cash flow statement, is held by the trustee of the Group's employee benefit trust in relation to the share scheme for employees (£5.1m) and 'Here to Help' fund (£1.3m). Therefore, these funds are restricted and are not available to circulate within the Group on demand.

18. Borrowings

	2021 £m	2020 £m
Current		
Unsecured bank overdraft	**0.2**	0.2
Lease liabilities (see note 14)	**63.4**	83.2
	63.6	83.4
Non-current		
Unsecured bank loan and other borrowings[1]	**–**	179.1
Lease liabilities (see note 14)	**280.9**	332.8
	280.9	511.9

1. The above borrowings are stated net of unamortised issue costs of £1.6m (2020: £0.9m).

The Group's borrowing facility was extended in the year. The previous facility, a five-year £200m revolving credit facility began on 4 September 2017 and would have expired on 3 September 2022. A new facility was set up from 4 December 2020 for three years, with two options to extend by a further year. The new facility is a £180m revolving credit facility. The facility carries an interest rate of SONIA plus a margin which is variable based on the gearing measures as set out in the facility covenant certificate and which is currently 200 basis points. Both utilisation and non-utilisation fees are also applicable, being charged when utilisation rises above a set percentage with non-utilisation based on a set percentage of the applicable margin. These charges are based on market rates as are the commitment fees.

Significant headroom exists on both financial covenants contained within the banking agreement.

Covenant	FY21	FY20
Interest payable to EBITDAR >1.5	**2.5**	2.1
Net borrowings to EBITDA <3.0	**(0.4)**	0.8

The Group had the following undrawn committed borrowing facilities available at each balance sheet date in respect of which all conditions precedent had been met:

	2021 £m	2020 £m
Expiring within one year	**20.0**	20.0
Expiring between one and two years	**–**	–
Expiring between two and five years	**160.0**	–
	180.0	20.0

The overdraft facility expiring within one year is an annual facility subject to review at various dates during the period. The facility of £160.0m (2020: £nil) relates to the Group's revolving credit facility. All these facilities incurred commitment fees at market rates.

19. Trade and Other Payables

	2021 £m	2020 £m
Current liabilities		
Trade payables	**131.7**	106.7
Other taxation and social security payable	**34.5**	33.2
Other payables	**21.6**	12.3
Accruals and other deferred income	**82.4**	64.8
	270.2	217.0
Non-current liabilities		
Accruals and other deferred income	**3.3**	1.9
	3.3	1.9

Trade and other payables at 2 April 2021 includes £7.9m (2020: £3.4m) of deferred income in relation to product warranties and service and repair plans; of which £4.6m (2020: £1.5m) is in current liabilities and £3.3m (2020: £1.9m) is in non-current liabilities.

20. Provisions

	Property related £m	**Other trading £m**	**Other £m**	**Total £m**
At 3 April 2020	6.5	7.3	–	13.8
Charged during the period	14.6	11.3	3.4	29.3
Reclassification from accruals*	9.0	–	–	9.0
Utilised during the period	(2.5)	(4.7)	–	(7.2)
Released during the period	(0.5)	(4.9)	–	(5.4)
At 2 April 2021	**27.1**	**9.0**	**3.4**	**39.5**
Analysed as:				
Current liabilities	13.6	7.5	3.4	24.5
Non-current liabilities	13.5	1.5	–	15.0

*The reclassification corrects an error in the presentation of the Cycle Republic closure costs provision as at 3 April 2020. £9.0m has been reclassified during the year from accruals and other deferred income to provisions, which mostly relates to costs associated with property leases that have become onerous as a result of the closures and will be utilised over the residual remaining lease term. The average remaining lease term was 4.9 years.

The reclassification has no effect on net assets but serves to reduce current liabilities, and increase non-current liabilities by £5.1m resulting in an increase to net current assets of £5.1m owing to the ageing of the balance.

Management considered a number of factors in assessing whether this classification was material and took into account that it did not affect net assets, the income statement, covenants, ratios used to evaluate the entity's financial position and results, and does not affect other information included in the entity's Annual report that may reasonably be expected to influence the economic decisions of the users of the financial statements. It was therefore concluded that the misclassification was not considered material.

Property-related provisions consist of costs associated wear and tear incurred on leasehold properties, other ongoing onerous commitments associated with property leases (excluding rent), and costs related to the exit of closed stores. The property related provisions will be utilised over the average remaining lease term of 3.9 years.

Other trading provisions comprise a sales returns provision and an employer/product liability provision (of which £1.5m is expected to be realised in >12 months) and provision for unused gift vouchers in issue.

Other provisions comprise an amount payable to HMRC in relation to the national minimum wage investigation (see estimates and judgements accounting policy for further details).

Notes to the Financial Statements

21. Deferred Tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon in the current and prior reporting periods.

	Property-related items £m	Short-term timing differences £m	Share-based payments £m	Intangible assets £m	Total £m
At 29 March 2019	3.3	(0.9)	0.4	(2.9)	(0.1)
Adjustment on adoption of IFRS 16	6.2	–	–	–	6.2
Acquisition of subsidiary	(0.2)	–	–	(0.7)	(0.9)
Credit/(charge) to the income statement	2.1	1.0	–	(0.1)	3.0
Charge to other comprehensive income	–	(0.7)	(0.2)	–	(0.9)
At 3 April 2020	11.4	(0.6)	0.2	(3.7)	7.3
Acquisition of subsidiary	(0.2)	–	–	(0.5)	(0.7)
Credit/(charge) to the income statement	–	0.7	2.6	0.4	3.7
Credit to other comprehensive income	–	1.6	0.4	–	2.0
At 2 April 2021	**11.2**	**1.7**	**3.2**	**(3.8)**	**12.3**

Deferred income tax assets and liabilities are offset when the Group has a legally enforceable right to do so and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	52 weeks to 2 April 2021	53 weeks to 3 April 2020
Deferred tax assets	**16.1**	11.6
Deferred tax liabilities	**(3.8)**	(4.3)
	12.3	7.3

22. Financial Instruments and Related Disclosures

a. Treasury Policy

The Group's treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt;
- Invest surplus cash;
- Manage the clearing bank operations of the Group, and
- Manage the foreign exchange risk on its non-sterling cash flows.

Treasury activities are delegated by the Board to the Chief Financial Officer ("CFO"). The CFO controls policy and performance through the line management structure to the Group Treasurer and by reference to the Treasury Committee. The Treasury Committee meets regularly to monitor the performance of the Treasury function.

Policies for managing financial risks are governed by Board-approved policies and procedures, which are reviewed on an annual basis.

The Group's debt management policy is to provide an appropriate level of funding to finance the Business Plan over the medium term at a competitive cost and ensure flexibility to meet the changing needs of the Group. Details of the Group's current borrowing facilities are contained in Note 18.

22. Financial Instruments and Related Disclosures continued

b. Accounting Classifications and Fair Value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					
2 April 2021	Note	**Fair value – hedging instruments £m**	**Mandatorily at FVTPL – others £m**	**FVOCI – equity instruments £m**	**Amortised cost £m**	**Other financial liabilities £m**	**Total carrying amount £m**
Financial assets measured at fair value							
Forward exchange contracts used for hedging		**0.6**	**–**	**–**	**–**	**–**	**0.6**
		0.6	**–**	**–**	**–**	**–**	**0.6**
Financial assets not measured at fair value							
Trade and other receivables*	16	**–**	**–**	**–**	**57.4**	**–**	**57.4**
Current tax assets		**–**	**–**	**–**	**2.5**	**–**	**2.5**
Cash and cash equivalents	17	**–**	**–**	**–**	**67.2**	**–**	**67.2**
		–	**–**	**–**	**127.1**	**–**	**127.1**
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging		**(6.3)**	**–**	**–**	**–**	**–**	**(6.3)**
		(6.3)	**–**	**–**	**–**	**–**	**(6.3)**
Financial liabilities not measured at fair value							
Borrowings	18	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Lease liabilities	18	**–**	**–**	**–**	**–**	**(344.3)**	**(344.3)**
Trade and other payables**	19	**–**	**–**	**–**	**–**	**(209.4)**	**(209.4)**
		–	**–**	**–**	**–**	**(553.9)**	**(553.9)**

* Prepayments and accrued income of £28.7m are not included as a financial asset.

** Other taxation and social security payables of £34.5m, deferred income of £7.9m, and other payables of £21.6m are not included as a financial liability.

		Carrying amount					
3 April 2020	**Note**	**Fair value – hedging instruments £m**	**Mandatorily at FVTPL – others £m**	**FVOCI – equity instruments £m**	**Amortised cost £m**	**Other financial liabilities £m**	**Total carrying amount £m**
Financial assets measured at fair value							
Forward exchange contracts used for hedging		8.7	–	–	–	–	8.7
		8.7	–	–	–	–	8.7
Financial assets not measured at fair value							
Trade and other receivables*	16	–	–	–	30.9	–	30.9
Current tax liabilities		–	–	–	8.2	–	8.2
Cash and cash equivalents	17	–	–	–	115.5	–	115.5
		–	–	–	154.6	–	154.6
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging		(1.1)	–	–	–	–	(1.1)
		(1.1)	–	–	–	–	(1.1)
Financial liabilities not measured at fair value							
Borrowings	18	–	–	–	–	(179.3)	(179.3)
Lease liabilities	18	–	–	–	–	(416.0)	(416.0)
Trade and other payables**	19	–	–	–	–	(106.7)	(106.7)
		–	–	–	–	(702.0)	(702.0)

* Prepayments and accrued income of £22.6m are not included as a financial asset.

** Other taxation and social security payables of £33.2m, deferred income and accruals of £66.7m and other payables of £12.3m are not included as a financial liability.

Notes to the Financial Statements

22. Financial Instruments and Related Disclosures continued

The fair values of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables and lease obligations, short-term deposits and borrowings	The fair value approximates to the carrying amount predominantly because of the short maturity of these instruments.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to market rates at intervals of less than one year.
Forward currency contracts	The fair value is determined using the mark to market rates at the reporting date and the outright contract rate.

Fair Value Hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All financial instruments carried at fair value have been measured by a Level 2 valuation method.

c. Financial Risk Management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk.

i) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors are responsible for establishing the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was £127.7m (2020: £163.3m).

Impairment losses on financial assets recognised in profit or loss were as follows:

£m	**52 weeks to 2 April 2021**	53 weeks to 3 April 2020
Impairment loss on trade and other receivables	**0.1**	0.2
Impairment loss on cash and cash equivalents	**–**	–
	0.1	0.2

22. Financial Instruments and Related Disclosures continued

Trade receivables

The Group does not have any individually significant customers and so no significant concentration of credit risk.

The majority of the Group's sales are paid in cash at point of sale which further limits the Group's exposure. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers. All trade receivables are based in the United Kingdom.

The Group has taken into account the historic credit losses incurred on trade receivables and adjusted it for forward-looking estimates. The movement in the allowance for impairment in respect of trade receivables during the year was £0.1m.

Cash and cash equivalents

The Group held cash and cash equivalents of £67.2m at 2 April 2021 (2020: £115.5m). The cash and cash equivalents are held with bank and financial institution counterparties which are designated 'A-' by Standard & Poor and Fitch and A2 or better by Moody's. The Group does not consider there to be any impairment loss in respect of these balances (2020: £nil).

Derivatives

The derivatives are entered into with bank and financial institutions counterparties which are designated at least BBB by Standard & Poor and Fitch and Baa3 by Moody's.

iii) Market risk

The Group's exposure to market risk predominantly relates to interest, currency and commodity risk. These are discussed further below. Commodity risk is due to the Group's products being manufactured from metals and other raw materials, subject to price fluctuation. The Group mitigates this risk through negotiating fixed purchase costs or maintaining flexibility over the specification of finished products produced by its supply chain to meet fluctuations.

Foreign currency risk

The Group has a significant transaction exposure with increasing direct-sourced purchases from its suppliers in the Far East, with most of the trade being in US dollars. The Group's policy is to manage the foreign exchange transaction exposures of the business to ensure the actual costs do not exceed the budget costs by more than 10% (excluding increases in the base cost of the product).

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of non-sterling businesses whilst they remain less significant.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedging item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and Group's own credit risk on the fair value of the forward exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- Changes in the timing of the hedged item.

During the 52 weeks to 2 April 2021, the foreign exchange management policy was to hedge via forward contract purchases between 75% and 100% of the material foreign exchange purchase transaction exposures on a rolling 18-month basis. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts.

At 2 April 2021, the Group held the following instruments to hedge exposures to changes in foreign currency:

		Maturity	
Forward exchange contracts	**1–6 months**	**6–12 months**	**More than one year**
Net exposure (in £m)	**101.6**	**55.7**	**26.3**
Average GBP:USD forward contract rate	**1.3336**	**1.3622**	**1.3677**

At 3 April 2020, the Group held the following instruments to hedge exposures to changes in foreign currency:

		Maturity	
Forward exchange contracts	1–6 months	6–12 months	More than one year
Net exposure (in £m)	57.1	28.3	15.3
Average GBP:USD forward contract rate	1.3084	1.3060	1.3097

22. Financial Instruments and Related Disclosures continued

The amounts at the reporting date relating to items designated as hedged items were as follows:

Forward currency risk	Cash flow hedge reserve £m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied £m
At 2 April 2021		
Inventory purchases	**3.1**	**–**
At 3 April 2020		
Inventory purchases	5.3	–

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	2 April 2021		3 April 2020	
	USD £m	**Other £m**	USD £m	Other £m
Cash and cash equivalents	**–**	**14.1**	2.4	2.8
Trade and other payables	**(35.1)**	**(1.6)**	(44.2)	(0.6)
	(35.1)	**12.5**	(41.8)	2.2

The table below shows the Group's sensitivity to foreign exchange rates on its US dollar financial instruments, the major currency in which the Group's derivatives are denominated.

	2021 Increase/ (decrease) in equity £m	2020 Increase/ (decrease) in equity £m
10% appreciation of the US dollar	**22.0**	17.6
10% depreciation of the US dollar	**(18.0)**	(14.4)

A strengthening/weakening of sterling, as indicated, against the USD at 2 April 2021 would have increased/(decreased) equity and profit or loss by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

The movements in equity relates to the fair value movements on the Group's forward contracts that are used to hedge future stock purchases.

Interest rate risk

The Group's policy aims to manage the interest cost of the Group within the constraints of the Business Plan and its financial covenants. The Group's borrowings are currently subject to floating rate interest rates and the Group will continue to monitor movements in the swap market.

If interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank borrowings which attract interest at floating rates) were to change by + or – 1% the impact on the results in the Income Statement and equity would be a decrease/increase of £0.8m (2020: £0.7m).

Interest rate movements on deposits, obligations under finance leases, trade payables, trade receivables, and other financial instruments do not present a material exposure to the Group's statement of financial position.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group manages capital by operating within a debt ratio, which is calculated as the ratio of net debt to underlying EBITDA pre IFRS 16. The Group was in a net cash position at the end of FY21 (2020: net debt ratio of 0.8:1).

Pension liability risk

The Group has no association with any defined-benefit pension scheme and therefore carries no deferred, current or future liabilities in respect of such a scheme. The Group operates a number of Group Personal Pension Plans for colleagues.

22. Financial Instruments and Related Disclosures continued

Liquidity risk

The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan. The minimum liquidity level is currently set at £30m, such that under Treasury Policy the maximum drawings would be £150m of the £180m available facility, to include the Overdraft Facility of £20m.

The process to manage the risk is to ensure there are contracts in place for key suppliers, detailing the payment terms, and for providers of debt, the Group ensured that such counterparties used for credit transactions held at least an investment grade at the time of the refinancing (December 2020). The Group may, subject to Board approval in any and every such incidence, allow a counterparty to have a credit rating of less than investment grade at the time of signing the facilities on the basis that the counterparty only has a junior role in the debt syndicate and has zero ancillary business until if/when its credit rating is designated A-. At the year-end the banks within the banking group maintained a credit rating of BBB- or above, in line with Treasury policy. The counterparty credit risk is reviewed by the Chief Financial Officer regularly as part of the Treasury Committee process. In addition, the Head of Tax & Treasury reviews credit exposure on a daily basis.

The risk is measured through review of forecast liquidity each month by the Head of Tax & Treasury to determine whether there are sufficient credit facilities to meet forecast requirements, and through monitoring covenants on a regular basis to ensure there are no significant breaches, which would lead to an “Event of Default”. Calculations are submitted biannually to the Group banking agent. There have been no breaches of covenants during the reported periods.

The contractual maturities of lease liabilities are disclosed in Note 14. All trade and other payables are due within one year.

The contractual maturity of bank borrowings, including estimated interest payments and excluding the impact of netting agreements is shown below:

	2 April 2021 Bank borrowings £m	3 April 2020 Bank borrowings £m
Due less than one year	**–**	0.9
Expiring between one and two years	**–**	0.9
Expiring between two and five years	**–**	180.0
Expiring after five years	**–**	–
Contractual cash flows	**–**	181.8
Carrying amount	**–**	179.1

The following table provides an analysis of the anticipated contractual cash flows for the Group’s forward currency contracts. Cash flows receivable in foreign currencies are translated using spot rates as at 2 April 2021 (3 April 2020).

	2021 Receivables £m	**2021 Payables £m**	2020 Receivables £m	2020 Payables £m
Due less than one year	**33.3**	**(151.7)**	146.1	(90.7)
Due between one and two years	**7.2**	**(18.8)**	17.5	(6.4)
Contractual cash flows	**41.1**	**(170.5)**	163.6	(97.1)
Fair value of derivatives	**0.6**	**(6.3)**	8.7	(1.1)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements

23. Capital and Reserves

Ordinary shares of 1p each:	**2021 Number of shares**	**2021 £000**	2020 Number of shares	2020 £000
Allotted, called up and fully paid	**199,116,632**	**1,991**	199,116,632	1,991

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

There has been no change in share premium, which has remained at £151.0m (2020: £151.0m).

In total the Company received proceeds of £Nil (2020: £Nil) from the exercise of share options. During the year the Company purchased £Nil (2020: £Nil) of its own shares.

Investment in Own Shares

At 2 April 2021 the Company held in Trust 1,637,101 (2020: 2,134,139) of its own shares with a nominal value of £16,371 (2020: £21,341). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 2 April 2021 was £6.1m (2020: £1.4m). In the current period nil (2020: nil) were repurchased and transferred into the Trust, with nil (2020: nil) reissued on exercise of share options.

Other Reserves

Capital Redemption Reserve

The capital redemption reserve has arisen following the purchase by the Company of its own shares and comprises the amount by which the distributable profits were reduced on these transactions in accordance with the Companies Act 2006.

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

24. Share-based Payments

The Group has six share award plans, all of which are equity-settled schemes. The Group Income Statement charge recognised in respect of share-based payments for the current period is £6.4m (2020: £1.0m).

1. Halfords Company Share Option Scheme

The CSOS was introduced in June 2004 and the Company has made annual grants up to and including 2016. Options were granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years.

Options granted before August 2013 became exercisable on the third anniversary of the date of grant, subject to the achievement of a three-year performance condition. For grants up to 150% of basic salary the options can only be exercised if the increase in earnings per share ("EPS") over the period is not less than the increase in the Retail Price Index ("RPI") plus 3.5% per year. In the case of grants in excess of 150% of basic salary, the excess can only be exercised in full if the increase is not less than RPI plus 10% per year. Exercise of an option is subject to continued employment.

Changes to the performance criteria of the CSOS scheme in relation to the awards granted from August 2013 onwards were made by the Remuneration Committee. These changes were made in order to create better alignment with the Group's three-year strategic priorities following the Moving Up A Gear programme. The awards are dependent on EBITDA performance and are only exercisable if EBITDA growth exceeds a compound annual growth rate of 2.5% over the three-year performance period, or a total growth rate of 8.4%. Exercise of an option is subject to continued employment.

The expected volatility is based on historical volatility of a peer group of companies since the IPO in June 2004. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds.

Options were valued using the Black–Scholes option-pricing models. No performance conditions were included in the fair value calculations.

2. Management Share Plan ('MSP')

The CSOS has been replaced by the MSP. Nil cost options have been granted which can be exercised on or after the third anniversary of the date on which they are granted. The option cannot be exercised later than ten years from the date on which it was granted. Exercise of an option is subject to continued employment.

The expected volatility is based on historical volatility of a peer group of companies. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds.

Options were valued using the Black–Scholes option-pricing models. No performance conditions were included in the fair value calculations.

24. Share-based Payments continued

3. Halfords Sharesave Scheme ("SAYE")

The SAYE is open to all employees with eligible employment service. Options may be exercised under the scheme if the option holder completes their saving contract for a period of three years and then not more than six months thereafter. Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the company or business which employs the option holder is transferred out of the Group, or in the event of a change in control, reconstruction or winding up of the Company.

Options were valued using the Black–Scholes option-pricing models.

4. Performance Share Plan

The introduction of a Performance Share Plan ("PSP") was approved at the Annual General Meeting in August 2005, awarding the Executive Directors and certain senior management conditional rights to receive shares. Annual schemes have been approved for each year from 2005.

For 2009 awards onwards, the Committee has recommended the reinvestment of dividends earned on award shares, such shares to vest in proportion to the vesting of the original award shares. The shares awarded under the Performance Share Plan ("PSP") in 2016 and 2017 earned final dividends of 12.03p per share and were reinvested in shares at a cost of £3.23 per share. Shares awarded in 2016, 2017 and 2018 under the PSP earned interim dividends of 6.18p per share and were reinvested in shares at a cost of £2.41 per share.

For schemes prior to 2018 the PSP performance criteria was weighted 25% towards Group revenue growth targets and 75% towards Group EPS growth targets. For the 2018 & 2019 awards the PSP performance criteria is weighted 50% towards Group EPS growth, 25% towards Group revenue growth and 25% towards Group Free Cash Flow. The 2020 PSP scheme performance criteria is weighted 20% towards Group EPS growth, 30% towards Group Free Cash Flow, 10% towards Group service-related sales and 40% towards total shareholder return. In order to focus management the awards will be underpinned by the Remuneration Committee determining whether, in its opinion, the extent to which the performance conditions have been satisfied is a genuine reflection of the Company's underlying financial performance and has generated value for Company's shareholders over the performance period, and by a net debt to EBITDA ratio no greater than 1.5 throughout the three-year performance period.

For other senior participants conditions are based on the performance of the individual business units. The awards are weighted 37.5% towards Group EPS growth targets, 12.5% weighted towards Group revenue growth targets and 50% weighted toward EBIT of the individual business unit.

Options were valued using the Black–Scholes option-pricing models. For the 2020 scheme options relating to the total shareholder return tranche were valued using the Monte Carlo option-pricing model.

5. Deferred Bonus Plan ('DBP')

Under the Deferred Bonus Plan ("DBP") one third of the executive's annual bonus is deferred as shares for three years.

6. Restricted Share Plan – Senior Management Plan ('RSP-SMP')

Two RSP-SMP awards were granted to senior management excluding the CEO and CFO. They were granted to participants on 13 September 2017 and have two different performance period end dates: 29 March 2019 and 3 April 2020.

Nil cost options have been granted which can be exercised on the first anniversary and second anniversary of the grant date for the 2018 and 2020 schemes respectively. Exercise of an option is subject to performance conditions in relation to Group PBT and continued employment.

Options were valued using the Black–Scholes option-pricing models.

The following tables reconcile the number of share options outstanding and the weighted average exercise price ("WAEP") for all share award plans.

24. Share-based Payments continued

For the period ended 2 April 2021

	CSOS		MSP		SAYE		PSP		RSP-SMP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of year	728	3.71	1,398	1.94	2,958	2.00	4,237	–	57	–
Granted	–	–	567	2.25	6,378	1.34	1,879	–	–	–
Shares representing dividends reinvested	–	–	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	(96)	1.44	–	–	–	–
Exercised	–	–	(149)	2.78	(51)	2.44	(868)	–	(57)	–
Lapsed	(38)	3.71	(139)	2.25	(1,942)	1.87	–	–	–	–
Outstanding at end of year	690	3.71	1,677	1.95	7,247	1.45	5,248	–	–	–
Exercisable at end of year	–		–		–		–		–	
Exercise price range (£)	3.07-5.43		–		1.34-2.78		–		–	
Weighted average remaining contractual life (years)	2.3		8.5		2.6		1.8		–	

For the period ended 3 April 2020

	CSOS		MSP		SAYE		PSP		PSP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of year	2,363	3.63	713	2.73	2,996	2.71	2,262	–	323	–
Granted	–	–	746	1.25	2,937	1.8	2,161	–	–	–
Shares representing dividends reinvested	–	–	–	–	–	–	271	–	–	–
Forfeited	–	–	–	–	(12)	2.7	(134)	–	(9)	–
Exercised	–	–	–	–	–	–	–	–	–	–
Lapsed	(1,635)	3.38	(61)	0.34	(2,963)	2.2	(323)	–	(257)	–
Outstanding at end of year	728	3.71	1,398	1.94	2,958	2.0	4,237	–	57	–
Exercisable at end of year	–		–		–		–		–	
Exercise price range (£)	3.07-5.43		–		1.77-2.78				–	
Weighted average remaining contractual life (years)	3.3		8.8		2.6		1.8		–	

The following table gives the assumptions applied to the options granted in the respective periods shown:

	52 weeks to 2 April 2021		
Grant date	**MSP**	**SAYE**	**PSP**
Share price at grant date (£)	2.43	1.34	2.43
Exercise price (£)	–	1.07	–
Expected volatility	59.14%	53.02%	64.22%
Option life (years)	10	3	3
Expected life (years)	3	3.5	2.47
Risk free rate	–	–	–
Expected dividend yield	2.63%	3.99%	–
Probability of forfeiture	33%	38%	21%
Weighted average fair value of options granted (£)	2.25	0.6	2.43

24. Share-based Payments continued

Grant date	53 weeks to 3 April 2020 MSP	SAYE	PSP
Share price at grant date (£)	2.30/1.70	2.10	1.70
Exercise price (£)	–	1.77	–
Expected volatility	31.87%/29.7%	30.46%	30.11%
Option life (years)	10	3	3
Expected life (years)	3	3.5	2.53
Risk free rate	–	0.46%	–
Expected dividend yield	8.22%/10.86%	9.06%	–
Probability of forfeiture	33%	41%	39%
Weighted average fair value of options granted (£)	1.78/2.22	0.27	1.70

As the MSP, PSP and RSP-SMP awards have a nil exercise price the risk free rate of return does not have any effect on the estimated fair value and therefore is excluded from the above table.

25. Commitments

	2021 £m	2020 £m
Capital expenditure: Contracted but not provided	**0.2**	1.2

26. Pensions

Employees are offered membership of the **Halfords** Pension, which is a contract-based plan, where each member has their own individual pension policy, which they monitor independently. The costs of contributions to the scheme are charged to the income statement in the period that they arise. The contributions to the scheme for the period amounted to £5.8m (2020: £5.4m).

In accordance with Government initiatives **Halfords** operates an automatic enrolment process with regards to its pension arrangements. Employees who are aged between 22 and state pension age, earn more than £10,000 a year, and work in the UK are automatically enrolled into the Group pension arrangement. Employees retain the right to withdraw from this pension arrangement, however election of this choice must be made.

27. Contingent Liabilities

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 2 April 2021 amounted to £1.5m (2020: £1.5m).

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

28. Related Party Transactions

The Group's ultimate parent company is **Halfords** Group plc. A listing of all related undertakings is shown within the financial statements of the Company on pages 190 to 196.

Transactions with Key Management Personnel

The key management personnel of the Group comprise the Executive and Non-Executive Directors and the **Halfords** Limited and **Halfords** Autocentres management boards. The details of the remuneration, long-term incentive plans, shareholdings and share option entitlements of individual Directors are included in the audited tables of the Directors' Remuneration Report on pages 126 to 135. Key management compensation is disclosed in Note 4.

Directors of the Company control 0.11% of the ordinary shares of the Company.

29. Off Balance Sheet Arrangements

The Group has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

30. Prior Period Adjustment

Following refinements to **Halfords** IFRS 16 reporting process, the consolidated statement of cash flows for the 53 weeks to 3 April 2020 was adjusted to reduce the cash outflow for capital payments on leases (in financing activities) by £11.3m and to reduce the working capital movements across other payables, receivables and provisions (in operating activities) by the same amount to exclude from these line items amounts that had been eliminated from the balance sheet for IFRS 16 reporting purposes and should have similarly been eliminated in the operating cash flow reconciliation. These adjustments have had no impact on the reported profit or net assets of the Group.

Company Balance Sheet

	Notes	2 April 2021 £m	3 April 2020 £m
Fixed assets			
Investments	4	**803.6**	22.2
Current assets			
Debtors: amounts falling due within one year	5	**2.1**	501.1
Cash and cash equivalents	6	**5.1**	71.4
		7.2	572.5
Creditors: amounts falling due within one year	7	**(606.7)**	(218.5)
Net current (liabilities)/assets		**(599.5)**	354.0
Creditors: amounts falling due after more than one year	7	**–**	(179.1)
Net assets		**204.1**	197.1
Capital and reserves			
Called up share capital	9	**2.0**	2.0
Share premium account	9	**151.0**	151.0
Investment in own shares	9	**(10.0)**	(10.0)
Capital redemption reserve		**0.3**	0.3
Profit and loss account	12	**60.8**	53.8
Total shareholders' funds		**204.1**	197.1

The notes on pages 193 to 196 are an integral part of the Company's financial statements.

The Company has elected to prepare its financial statements under FRS 101 and the accounting policies are outlined on page 192.

The Company made a profit before dividends paid for the period of £0.6m (53 week period to 3 April 2020: £3.1m).

The financial statements on pages 190 to 196 were approved by the Board of Directors on 16 June 2021 and were signed on its behalf by:

Loraine Woodhouse
Chief Financial Officer

Company number: 04457314

Company Statement of Changes in Shareholders' Equity

	Share capital £m	Share premium £m	Investment in own shares £m	Capital redemption £m	Retained earnings £m	Total £m
At 29 March 2019	2.0	151.0	(10.0)	0.3	86.3	**229.6**
Profit for the period	–	–	–	–	3.1	**3.1**
Share options exercised	–	–	–	–	–	**–**
Issue of new shares	–	–	–	–	–	**–**
Share-based payments	–	–	–	–	1.0	**1.0**
Dividends paid	–	–	–	–	(36.6)	**(36.6)**
At 3 April 2020	2.0	151.0	(10.0)	0.3	53.8	**197.1**
Profit for the period	–	–	–	–	0.6	**0.6**
Share options exercised	–	–	–	–	–	**–**
Issue of new shares	–	–	–	–	–	**–**
Share-based payments	–	–	–	–	6.4	**6.4**
Dividends paid	–	–	–	–	–	**–**
At 2 April 2021	2.0	151.0	(10.0)	0.3	60.8	**204.1**

Accounting Policies

Accounting Convention

The accounts of the Company 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 2 April 2021, whilst the comparative period covered the 53 weeks to 3 April 2020. The accounts are prepared under the historical cost convention, except where Financial Reporting Standards requires an alternative treatment in accordance with applicable UK accounting standards and specifically in accordance with the accounting policies set out below. The principal variation to the historical cost convention relates to share-based payments.

Basis of Preparation

The Company financial statements of **Halfords** Group plc are prepared on a going concern basis for the reasons set out in the Directors' Report on page 72, and under the historical cost convention.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100). The Company financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore, the recognition and measurement requirements of international financial reporting standards adopted pursuant to Regulation (EC) have been applied, with amendments where necessary in order to comply with Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group financial statements.

As permitted by section 408 of the Companies Act 2006, no profit or loss account is presented for this company. Additionally, no cash flow statement is presented as permitted by FRS 101.8 (h). The profit for the year is disclosed in Note 1 to the financial statements.

Employee Benefit Trusts ("EBTs") are accounted for under IFRS 10 and are consolidated on the basis that the parent has control, thus the assets and liabilities of the EBT are included on the Company balance sheet and shares held by the EBT in the Company are presented as a deduction from equity.

Share-based Payments

The Company operates a number of equity-settled, share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

In accordance with FRS 101 'Group and treasury share transactions', the fair value of the employee services received under such schemes is recognised as an expense in the subsidiary undertaking's financial statements, which benefit from the employee services. The Company has recognised the fair value of the share-based payments as an increase to equity with a corresponding adjustment to investments.

Fair values are determined using appropriate option pricing models. The total fair value recognised is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

At each balance sheet date, the Company revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised as an adjustment to equity, with a corresponding adjustment to investments, over the remaining vesting period.

Investments

Investments in subsidiary undertakings are stated at the cost of the investments. Provision is made against cost where, in the opinion of the Directors, the value of the investments has been impaired.

Cash and Cash Equivalents

Cash and cash equivalents on the statement of financial position comprise cash at bank and in hand and short-term deposits with original maturities of less than 90 days which are subject to an insignificant risk of changes in value.

Dividends

Final dividends are recognised in the Company's financial statements in the period in which the dividends are approved by shareholders. Interim equity dividends are recognised in the period they are paid.

Notes to the Financial Statements

1. Profit and Loss Account
The Company made a profit before dividends paid for the period of £0.6m (53 week period to 3 April 2020: £3.1m). The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone.

2. Fees Payable to the Auditors
Fees payable by the Group to BDO LLP and their associates during the current and prior period are detailed in Note 3 to the Group financial statements.

3. Staff Costs
The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests, including those details required by Schedule 5, are set out in the Remuneration Report on pages 126 to 135 which forms part of the audited information.

4. Investments

	£m
Shares in Group undertaking	
Cost	
At 3 April 2020	22.2
Additions	775.0
Additions – share-based payments	6.4
At 2 April 2021	**803.6**

The investments represent shares in the following subsidiary undertakings as at 2 April 2021 and the fair value of share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

Subsidiary undertaking	Incorporated in	Ordinary shares percentage owned %	Principal Activities
Halfords Group Holdings Limited	Great Britain*	100	Intermediate holding company

* Registered in England and Wales. Registered office; Icknield St Dr, Washford Ln, Redditch B98 0DE

In the opinion of the Directors the value of the investments in the subsidiary undertakings is not less than the amount shown above.

During the year, the Group has commenced a reorganisation of the Group structure with the objective to reduce the number of non-trading entities within the Group. As part of this exercise, a new intermediate holding company was formed, **Halfords** Group Holdings Limited, which is a wholly owned subsidiary of **Halfords** Group plc. The investments in **Halfords** Limited and **Halfords** Autocentres Limited previously held within the wider Group structure, are now directly held by **Halfords** Group Holdings Limited.

As part of the reorganisation, **Halfords** Group plc released **Halfords** Holdings (2006) Limited from its obligation to settle its intercompany receivable of £308.2m. This resulted in a decrease in intercompany receivables (see Note 5) and the recognition of an investment in **Halfords** Holdings (2006) Limited. This investment was then reassigned to an investment in **Halfords** Group Holdings Limited as it now forms part of the parent company's investment in the underlying trading Group.

The additions to investments in the year of £775.0m represents the £308.2m reassigned from **Halfords** Holdings (2006) Limited and the transfer value of the investments in **Halfords** Limited and **Halfords** Autocentres Limited held by **Halfords** Group Holdings Limited.

Notes to the Financial Statements

4. Investments continued

The related undertakings of the Company at 2 April 2021 are as follows:

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
Subsidiaries registered in England & Wales, with a registered address of:		
Icknield Street Drive, Redditch, Worcestershire, B98 0DE		
Halfords Group Holdings Limited	Intermediate holding company	100
Halfords Holdings (2006) Limited*	Intermediate holding company	100
Halfords Holdings Limited*	Intermediate holding company	100
Halfords Finance Limited*	Intermediate holding company	100
Halfords Limited*	Retailing of auto parts, accessories, cycles and cycle accessories	100
Halfords Payment Services Limited*	Dormant	100
Halfords Autocentres Holdings Limited*	Intermediate holding company	100
Halfords Autocentres Funding Limited*	Dormant	100
Halfords Autocentres Limited*	Car servicing	100
Halfords Autocentres Acquisitions Limited*	Dormant	100
NW Autocentres Limited*	Dormant	100
Halfords Autocentres Developments Limited*	Dormant	100
Stop N' Steer Limited*	Dormant	100
Halfords Vehicle Management Limited*	Dormant	100
McConechy's Tyres Services Holdings Limited*	Intermediate holding company	100
McConechy's Tyre Services Limited*	Car servicing	100
Strathclyde Tyre Services Limited*	Dormant	100
The Universal Tyre Company (Deptford) Limited*	Car servicing	100
G W Autoserve (Ipswich) Limited*	Non-trading	100
G W Commercial Tyres Limited*	Non-trading	100
Boardman Bikes Limited*	Non-trading	100
Boardman International Limited*	Non-trading	100
Cycle Republic Limited*	Dormant	100
Performance Cycling Holdings Limited*	Intermediate holding company	100
Tredz Limited*	Non-trading	100
Wheelies Direct Limited*	Dormant	100
Performance Cycling Limited*	Retailing of cycles and cycle accessories	100
Giant (Wales) Limited*	Non-trading	100
Subsidiary registered in the Republic of Ireland, with a registered address of:		
c/o DWF Dublin, 4 George's Dock, IFSC, Dublin 1, DO1 X8N7		
Halfords (Ireland)*	Dormant	100
Other equity investment, registered in Northern Ireland, with a registered address of:		
22 Derryall Road, Portadown, Craigavon, Northern Ireland, BT62 1PL		
Hamilton Internet Services Limited*	E-Commerce	0.06
Other equity investment , registered in England & Wales, with a registered address of:		
272 Bath Street, Glasgow, Scotland, G2 4JR		
ULM Services Limited*	Car servicing	47.3

* Shares held indirectly through subsidiary undertakings.

The only subsidiaries to trade during the year were **Halfords** Limited, **Halfords** Autocentres Limited, Performance Cycling Limited, McConechy's Tyre Services Limited, The Universal Tyre Company (Deptford) Limited and ULM Services Limited.

5. Debtors

	2021 £m	2020 £m
Falling due within one year:		
Amounts owed by Group undertakings	**2.1**	501.1
	2.1	501.1

Amounts owed by Group undertakings were subject to interest. At 2 April 2021, the amounts bear interest at a rate of 1.31% (2020: 1.92%)

Amounts owed by Group undertakings were reduced in the current year as part of the Group reorganisation (see Note 4).

6. Cash and Cash Equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**5.1**	71.4

£5.1m (2020: £5.1m) of the Company's cash and cash equivalents included in the balance sheet is held by the trustee of the Company's employee benefit trust in relation to the share scheme for employees. Therefore, these funds are restricted and are not available to be circulated on demand.

7. Creditors

	2021 £m	2020 £m
Falling due within one year:		
Bank borrowings (Note 8)	**16.5**	–
Amounts owed to Group undertakings	**589.9**	217.3
Accruals and deferred income	**0.3**	1.2
	606.7	218.5
Falling due after more than one year:		
Bank borrowings (Note 8)	**–**	179.1
	–	179.1

Amounts owed to Group undertakings were increased in the current year as part of the Group reorganisation (see Note 4). Amounts owed to Group undertakings are repayable on demand and have therefore been classified as due within one year, although it is expected that not all of this amount will be repaid within 12 months of the balance sheet.

8. Borrowings

	2021 £m	2020 £m
Current		
Unsecured bank overdraft	**16.5**	–
Non-current		
Unsecured bank loan and other borrowings (expiring between two and five years)	**–**	179.1
	16.5	179.1

The above borrowings are stated net of unamortised issue costs of £1.6m (2020: £0.9m).

Details of the Company's borrowing facilities are in Note 18 to the Group's financial statements.

Notes to the Financial Statements

9. Equity Share Capital

Ordinary shares of 1p each:	**2021 Number of shares**	**2021 £000**	2020 Number of shares	2020 £000
Allotted, called up and fully paid	**199,116,632**	**1,991**	199,116,632	1,991

During the current period the Company has not changed its share capital. There has been no change in share premium, which has remained at £151.0m (2020: £151.0m).

In total the Company received proceeds of £nil (2020: £nil) from the exercise of share options. During the year the Company purchased £nil (2020: £nil) of its own shares.

Potential Issue of Ordinary Shares

The Company has a number of employee share option schemes. Further information regarding these schemes can be found in Note 24 to the Group's financial statements.

Investment in Own Shares

At 2 April 2021 the Company held in Trust 1,637,101 (2020: 2,134,139) of its own shares with a nominal value of £16,371 (2020: £21,341). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 2 April 2021 was £6.1m (2020: £1.4m). In the current period nil (2020: nil) were repurchased and transferred into the Trust, with nil (2020: nil) reissued on exercise of share options.

10. Share-based Payments

Share based payments during the period were £6.4m bringing the balance at 2 April 2021 to £28.5m (2020: £22.1m).

11. Profits available for distribution

Distributable reserves in the company balance sheet total £32.3m at 2 April 2021.

12. Reserves

The Company settled dividends of £nil (2020: £36.6m) in the period, as detailed in Note 8 to the Group's financial statements.

13. Related Party Disclosures

Under FRS 101 "Related party disclosures" the Company is exempt from disclosing related party transactions with entities which it wholly owns.

14. Contingent Liabilities

The Group's banking arrangements include the facility for the bank to provide a number of guarantees in respect of liabilities owed by the Group during the course of its trading. In the event of any amount being immediately payable under the guarantee, the bank has the right to recover the sum in full from the Group. The total amount of guarantees in place at 2 April 2021 amounted to £1.5m (2020: £1.5m).

The Company's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

15. Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.