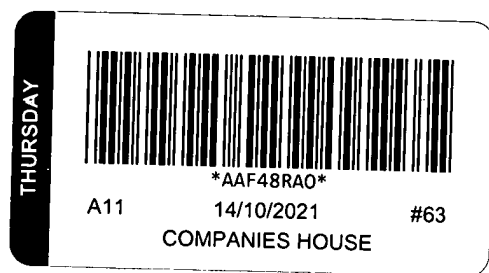


Registration number: 00103161

# Halfords Limited

Annual Report and Financial Statements  
for the 52 week period ended 2 April 2021



## **Halfords Limited**

### **Contents**

Company Information	1
Strategic Report	2 to 7
Directors' Report	8 to 10
Statement of Directors' Responsibilities	11
Independent Auditor's Report	12 to 15
Statement of Profit or Loss	16
Statement of Comprehensive Income	17
Balance Sheet	18 to 19
Statement of Changes in Equity	20 to 21
Notes to the Financial Statements	22 to 56

## **Halfords Limited**

### **Company Information**

<b>Directors</b>	G Stapleton L Woodhouse K Jones (resigned 30 September 2021) K Bellairs
<b>Company secretary</b>	T O'Gorman
<b>Registered office</b>	Icknield Street Drive Washford West Redditch Worcestershire B98 0DE
<b>Auditors</b>	BDO LLP 55 Baker Street London W1U 7EU

## Halfords Limited

### Strategic Report for the period ended 2 April 2021

The Directors present their Strategic Report on the Company together with the audited financial statements for the 52-week period from 4 April 2020 to 2 April 2021.

#### Review of the business and future developments

The Company is engaged in the retailing of motoring and cycling products and services.

The Company is the main trading subsidiary of Halfords Group plc ("the Group"). Further details on the performance of the Group can be found in the Chairman's Statement, Strategic Report, Chief Executive's Report and Chief Financial Officer's Report in the Group's Annual Report, which does not form part of this report.

The Directors have no plans to change the activities of the Company.

#### Results and performance

Turnover for the period to 2 April 2021 was £977.6m (2020: £919.5m), producing an operating profit before non-underlying items of £96.3m (2020: £59.8m). After a non-underlying operating expense of £31.7m (2020: £33.1m) (see note 7) operating profit was £64.6m (2020: £26.7m).

The profit on ordinary activities before tax and non-underlying items for the period was £91.6m (2020: £56.8m). Profit attributable to shareholders was £38.1m (2020: £20.3m). No interim dividend was paid during the period (2020: £nil) and the Directors do not recommend a final dividend (2020: £nil). A dividend in specie was paid and recognised through equity from the sale of Performance Cycling Holdings Limited.

Total revenue in the year increased by 6.2%, driven by a particularly strong cycling performance. Motoring finished the year with a like-for-like of -12.1% having been significantly impacted by the COVID-19 pandemic and lockdown from March 2020. Conversely, cycling demand was boosted by families cycling during lockdown, a more health-conscious consumer and the avoidance of public transport.

Gross profit represented 48.9% of sales. Underlying gross margin improved more significantly than the headline number, which was diluted by a product mix into lower gross margin % cycling products alongside additional costs as we expand sales through finance and B2B. The gross margin improvement reflected the significant work carried out over the last 18 months on our sourcing strategy for both bikes and motoring products, as well as our work to optimise promotional activity throughout the year.

Total non-underlying costs of £44.0m were predominantly costs associated with the closure of a number of Retail stores following a strategic review of their profitability, and the loss on disposal of an investment of £12.3m due to the reorganisation of the wider Group structure.

## Halfords Limited

### Strategic Report for the period ended 2 April 2021

Net assets at 2 April 2021 were £823.6m (2020: £809.6m). The Company maintains considerable reserves on the balance sheet meaning it is well-positioned in the current economic climate. It continues to trade profitably. The cash position has also improved on prior year due to improved cash management.

The company was significantly impacted throughout the financial year by the COVID-19 pandemic. At the beginning of the financial year the vast majority of the estate was closed before Halfords was designated as an essential retailer and re-opened under a restricted, COVID operation cycle. The company initially furloughed over 50% of staff in Q1 as stores remained partially closed but eventually repaid the £6.8m government support received in full at the end of financial year. Costs for operating in a COVID affected environment were significant in the year, including substantial investment in PPE, additional payroll costs to deliver the COVID operation cycle, and further colleague support through a front line bonus, creation of the Halfords Hardship Fund and adjusting holiday rules to allow colleagues to carry over increased holiday days into FY22. These costs were offset by business rates relief of £33.1m for all stores.

#### Key performance indicators ('KPIs')

Detailed KPIs are discussed and documented within the Strategic Report of the Annual Report and Accounts of Halfords Group plc. The following KPIs have been derived from the Group's strategy and are stated before the impact of IFRS 16 and non-underlying items:

	Unit	2021	2020
Like-for-Like (LfL) Sales - Strong cycling sales offset by decline in motoring due to the impact of the Covid pandemic	%	14.6	(2.3)
Gross profit percentage - improvement in cycling profitability in line with the strategy. This offset the adverse mix impact of lower motoring sales. Strong margin driven by better focused promotions and a continued focus on buying efficiencies	%	48.9	48.8
Costs as a % of sales (calculated before IFRS 16 impact of £9.5m) - Cost growth year on year was well managed with a sharp focus on operational efficiency and improved procurement discipline	%	40.6	43.3

#### Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated within the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Halfords Group plc, which include those of the Company, are discussed in the Group's Annual Report, which does not form part of this report. A detailed review of the Group's financial risk policy is contained within the Annual Report and Accounts of Halfords Group plc.

A high-level review of the principal risks and uncertainties of the Company are set out below:

## Halfords Limited

### Strategic Report for the period ended 2 April 2021

Risk title	Risk description	Current mitigation	Focus in 2022
Capability and capacity to effect change	Without sufficient capacity and capability to successfully implement the changes necessary across the business, we will not realise the expected benefits of our strategy and the business will not be sustainable	<ul style="list-style-type: none"> <li>- Definition of strategic priorities and review.</li> <li>- Appointment of a Transformation Director</li> <li>- Transformation Board approval process.</li> <li>- Project managers in place.</li> <li>- Customer, colleague, market and competitor research.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue to align our Transformation Plan with the key objectives of our corporate strategy.</li> <li>- Closely monitor progress, which will enable faster execution</li> <li>- Complete organisational design changes</li> </ul>
Stakeholder support	Loss of confidence in the business and withdrawal of resources	<ul style="list-style-type: none"> <li>- Team progress huddles.</li> <li>- Blogs and newsletters (CEO).</li> <li>- Engagement with suppliers.</li> <li>- Written communications, roadshows and regular one-to-one meetings with investors.</li> </ul>	<ul style="list-style-type: none"> <li>- Maintain progress on the delivery of our strategic objectives.</li> <li>- Address colleague engagement challenges through a regular cycle of survey and review.</li> <li>- Proactive investor relations programme of events and communication.</li> </ul>
Value Proposition	Customers are not persuaded by our value proposition and lose market share to online retailers and discounters	<ul style="list-style-type: none"> <li>- Differentiate ourselves by creating value for the customer by delivering services alongside the sale of a product.</li> <li>- Optimisation of our Group website with payment online functionality and targeted promotions, designed to appeal to customers.</li> </ul>	<ul style="list-style-type: none"> <li>- Launch of a Halfords Motoring loyalty programme</li> <li>- Further investment in pricing of motoring products</li> </ul>
Sustainable business model	Changes in the UK economy (including consumer confidence and the value of the Pound) could materially impact our revenue and / or costs, and therefore the profitability of the business.	<ul style="list-style-type: none"> <li>- Significant actions on cost and margin taken in FY21.</li> <li>- A refinancing secured our funding for a three-year period.</li> <li>- Strategic focus on the growth of services</li> <li>- Capital reduction programme.</li> <li>- Formal hedging programme.</li> </ul>	<ul style="list-style-type: none"> <li>- Maintain focus on reducing underlying costs, e.g. rental costs through property renegotiations.</li> <li>- Focus on margin improvement, eliminating unnecessary cost through targeted efficiencies and scale benefits.</li> </ul>

## Halfords Limited

### Strategic Report for the period ended 2 April 2021

Regulatory and Compliance	Failure to adhere to our legal and/or regulatory obligations leading to an inability to meet our responsibilities to stakeholders and/or the imposition of financial penalties, placing a strain or financial cost on the business.	<ul style="list-style-type: none"><li>- Senior leadership team communicates tone from the top to provide guidance.</li><li>- New health and safety structure was implemented.</li><li>- External review of financial services compliance was undertaken in the year.</li><li>- Regular horizon scanning.</li></ul>	<ul style="list-style-type: none"><li>- Review and improvement of policies supported by training programmes for colleagues</li><li>- Regular training and information provided through user-friendly channels.</li><li>- Deep-dive analysis into specific risk areas carried out on behalf of the Executive Risk Committee.</li></ul>
---------------------------	---	--	---

## Halfords Limited

### Strategic Report for the period ended 2 April 2021

#### s172(1) Statement

This section describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) Companies Act 2016 (the "Act"), in exercising their duty to promote the success of the Company for the benefit of its members as a whole.

Directors are required to have regard, amongst other matters, to the interests of wider stakeholders, as well as:

- the likely long-term consequences of any decision they make;
- the interests of the Company's colleagues;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly, as between members of the Company.

The Company is an intermediate holding company within Halfords Group Plc ("Group"), and therefore key decisions which affect the Group, this Company and stakeholders are principally made by the Board of the ultimate parent company Halfords Group Plc. Further details of how the Board of Halfords Group Plc have had regard to s172(1) (a) to (f) in the current financial year can be found in those consolidated financial statements, key elements of which include:

#### Colleagues

Our frontline colleagues in stores supported our customers throughout the pandemic, as we remained open as an essential business. The provision of PPE and the robust implementation of policies and procedures helped colleagues to feel safe in their working environment. In addition, we launched over £3m of initiatives to support our colleagues, including a £1.5m Frontline Colleague Support Fund and access to a Group-wide £1.5m Here to Help Fund for colleagues and their families to use if they are struggling financially due to COVID-19.

#### Customers

As an essential retailer we have remained open throughout the pandemic, supporting our customers to help keep the UK moving. Like our colleagues, it has been important to keep our customers safe through strong COVID-19 protocols.

#### Communities and the Environment

We are expected to act as a responsible Group and employer and to minimise the impact we have on the community and the environment. The Group engages in this through community investment initiatives, recycling initiatives, the promotion of forms of electric mobility and social initiatives, such as the support schemes for ex-prisoners.

#### Investors

Our shareholders and debt funding providers enable us to access capital to further our business strategy. Our commitment is to protect and manage their investments in a responsible and sustainable way. The Company engages through regular communications, the Annual General Meeting and other investor relations activities (such as the investor perception study). Investor's opinions are taken into account when determining strategy and regular engagement provides investors with an opportunity to discuss any areas of interest and raise concerns.

## Halfords Limited

### Strategic Report for the period ended 2 April 2021

#### Suppliers

We maintain close relationships with our suppliers to enable us to deliver market-leading products and services. We are committed to maintaining the highest ethical standards. Engaging with our supply chain means that we can ensure security of supply and speed to market, especially so during the pandemic. Our brand relies heavily on the high standards of our carefully selected suppliers, to deliver market-leading products and services in times of significant global disruption. The Directors work hard to build mutually beneficial, long-term relationships with suppliers using skilled staff in a Far East buying office and engaging more directly through regular supplier conferences.

#### Government and regulators

Once the future trading environment became clearer, we took the decision to repay all funds we had received across the Group through government furlough schemes - this amounted to £6.8m in the Company.

#### Rationalisation of Property Estate

Our focus on cost and efficiency has led us to conduct a full review of our property estate, resulting in the closure of 40 stores in the year. The majority of the costs to close these stores are recognised through non-underlying items totalling £23m, relating to lease impairment costs, store closure costs, asset write-offs and dilapidations.

We are confident we will retain a large share of the customer base through trade transfer to neighbouring stores based on trials, our experience through the pandemic and analysis of catchment areas. The Board believe this to be a key decision taken during the year of strategic importance.

Approved by the Board on 8 October 2021 and signed on its behalf by:



L. Woodhouse  
Director

## Halfords Limited

### Directors' Report for the period ended 2 April 2021

The Directors present their report and the financial statements for the period from 4 April 2020 to 2 April 2021.

#### Directors' of the company

The Directors, who held office during the period, were as follows:

G Stapleton

L Woodhouse

K Jones (resigned 30 September 2021)

K Bellairs

#### Employees

The Company recognises that it is essential to maintain a highly skilled workforce. To this end, the policy of training and development is incorporated in the company plan. It is policy to promote from within the organisation wherever the possibility exists.

Health and safety measures are given particular attention by the Directors and a written policy exists and is known throughout the Company.

It is Company policy to appoint staff on the basis of their abilities. Disabled applicants are considered on the same basis as other applications. If an employee becomes disabled whilst in service, the Company will make all reasonable efforts to retain and find suitable employment within the Company. Disabled employees enjoy equal opportunities for training and advancement within the Company.

The Company recognises the need for employees to be informed of the Company's activities and performance. Management meetings are held throughout the period to encourage the flow of information necessary in a multi-locality organisation.

#### Colleague engagement

One of the Company's key strengths is engaged colleagues with great training.

Engagement with, and feedback from, our colleagues across the business is vital to the Company. The Company has an established framework of colleague communications providing regular information on business performance and other important and relevant matters.

#### Future developments

The areas of focus in FY22 are:

- Continue our digital investments allowing greater personalisation for customers and driving cross shop opportunities. We will also launch a unique and market-leading motoring services club
- Accelerate progress within ESG against four priorities; Electrification, Net Zero commitment, diversity and inclusion, and product, packing and waste
- Trial 'Fusion' in 2-3 towns which aims to deliver a seamless, convenient, and consistent experience to our customers across a town. This will encompass a destination retail store, an updated Autocentres garage, and a Halfords Mobile Expert offer
- Position Halfords as the leading voice in Emobility through investing in training and technology, and new products and services;
- Continue to drive down costs, pursuing our well established efficiency and cost reduction programmes.

## Halfords Limited

### Directors' Report for the period ended 2 April 2021

#### Energy and Carbon reporting

Halfords Limited is included within the consolidated energy and carbon reporting provided by its ultimate parent company and therefore no additional disclosures are provided in this report.

#### Supplier and business relationships

See summary within the Strategic report to show how the Directors have regarded the need to foster the Company's business relationships with suppliers, customers and others and also to detail the effect this has had on the principal decisions made in the year.

#### Corporate governance

Halfords Group Plc applies the UK Corporate Governance Code 2018. The Code applies directly to the parent company and so indirectly to subsidiaries including Halfords Limited. The Group has applied the main principles of, and complied with, the provisions of the 2018 UK Corporate Governance Code throughout the year.

#### Going concern

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The going concern assessment for the Company is therefore linked to that of the wider group headed by Halfords Group plc.

In determining the appropriate basis of preparation of the financial statements for the Company for the period ended 2 April 2021, the Directors are required to consider whether the company can continue in operational existence for at least 12 months from the date of approval of the financial statements. The Directors have concluded that it is appropriate to adopt the Going Concern basis, having considered the going concern assessment undertaken by Halfords Group PLC ("Group"), which included the Company.

As detailed in the Group's annual report, the Group significantly outperformed the scenarios reviewed as part of the Going Concern assessment in the Annual Report and Accounts to 3 April 2020. In determining the appropriate basis of preparation of the financial statements for the year ended 2 April 2021, the Group Directors reviewed 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. Further details of these reviews can be found in the Principal Risk and uncertainty Report and Viability Report in the Group's Annual Report, which does not form part of this report. This analysis has then been extended to March 2023 for the purposes of the subsidiary financial statement approvals.

The ultimate parent company, Halfords Group plc, has a revolving credit facility of £180m at the date of approval of these financial statements, which expires on 3 December 2023, and has no other debt or facilities.

Based on the analysis completed, the Group has adequate bank facilities available and the Directors therefore have a reasonable expectation that the Group and the Company will be able to continue in operation and meet their liabilities as they fall due, retain sufficient available cash and not breach any covenants under any drawn facilities for at least 12 months from the date of approval of the financial statements. They do not consider there to be a material uncertainty relating to the Group's and the Company's ability to continue as a going concern.

## Halfords Limited

### Directors' Report for the period ended 2 April 2021

#### Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### Reappointment of auditors

Reappointment of auditors in accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 8 October 2021 and signed on its behalf by:



L Woodhouse  
Director

## **Halfords Limited**

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Halfords Limited

### Independent Auditor's Report to the Members of Halfords Limited

#### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 April 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Halfords Limited (the 'Company') for the period ended 2 April 2021, which comprise the Statement of Profit or Loss, Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, 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 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.

#### Independence

We are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### 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.

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

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

## Halfords Limited

### Independent Auditor's Report to the Members of Halfords Limited

#### Other Companies Act 2006 reporting

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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 their statement set out in Statement of 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 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 Company or to cease operations, or have no realistic alternative but to do so.

## Halfords Limited

### Independent Auditor's Report to the Members of Halfords Limited

#### 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 Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006 and FRS 101.
- 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 Company's financial statements to material misstatement, including understanding where and how fraud might occur.
- We tested journal entries, focusing on journal entries containing characteristics of audit interest.
- 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 Company, including the costs related to the store closure programme.

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:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Halfords Limited

### Independent Auditor's Report to the Members of Halfords Limited

#### Use of our report

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
*Diane Campbell*  
9B05E3C2CBBA44E...

Diane Campbell (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor

55 Baker Street  
London  
W1U 7EU

8 October 2021

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

## Halfords Limited

### Statement of Profit or Loss for the 52 week period ended 2 April 2021

		Before non- underlying items	Non- underlying items	Total	Before non- underlying items	Non- underlying items	Total
	Note	2021 £ m	2021 £ m	2021 £ m	2020 £ m	2020 £ m	2020 £ m
Turnover	3	977.6	-	977.6	919.5	-	919.5
Cost of sales		<u>(499.1)</u>	-	<u>(499.1)</u>	<u>(470.9)</u>	-	<u>(470.9)</u>
Gross profit		478.5	-	478.5	448.6	-	448.6
Distribution costs		(292.5)	-	(292.5)	(321.9)	-	(321.9)
Administrative expenses		<u>(89.7)</u>	<u>(31.7)</u>	<u>(121.4)</u>	<u>(66.9)</u>	<u>(33.1)</u>	<u>(100.0)</u>
Operating profit/(loss)	4	96.3	(31.7)	64.6	59.8	(33.1)	26.7
Interest payable and similar charges	9	(9.3)	-	(9.3)	(10.0)	-	(10.0)
Finance income	8	4.6	-	4.6	7.0	-	7.0
Loss on disposal of investment		-	<u>(12.3)</u>	<u>(12.3)</u>	-	-	-
Profit/(loss) on ordinary activities before taxation		91.6	(44.0)	47.6	56.8	(33.1)	23.7
Tax on profit/(loss) on ordinary activities	10	<u>(14.8)</u>	<u>5.6</u>	<u>(9.2)</u>	<u>(7.9)</u>	<u>4.5</u>	<u>(3.4)</u>
Profit/(loss) for the period		<u><u>76.8</u></u>	<u><u>(38.4)</u></u>	<u><u>38.4</u></u>	<u><u>48.9</u></u>	<u><u>(28.6)</u></u>	<u><u>20.3</u></u>

The above results were derived from continuing operations.

There is no material difference between the results as stated above and their historical cost equivalents.

The notes on pages 22 to 56 form part of these financial statements.

## Halfords Limited

### Statement of Comprehensive Income for the 52 week period ended 2 April 2021

	2021 £ m	2020 £ m
<b>Profit for the period</b>	<b>38.4</b>	<b>20.3</b>
Cash flow hedges:		
Fair value changes in the period	(9.6)	7.9
Deferred income tax on other comprehensive income	<u>1.6</u>	<u>(0.7)</u>
<b>Other comprehensive (loss)/income for the period, net of income tax</b>	<b><u>(8.0)</u></b>	<b><u>7.2</u></b>
<b>Total comprehensive income for the period</b>	<b><u>30.4</u></b>	<b><u>27.5</u></b>

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

The notes on pages 22 to 56 form part of these financial statements.

## Halfords Limited

### Balance Sheet as at 2 April 2021

(Registration number: 00103161)

	Note	2 April 2021 £ m	3 April 2020 £ m
<b>Non-current assets</b>			
Intangible assets	12	22.3	23.3
Tangible assets	11	55.4	61.0
Right of use assets	13	225.2	289.5
Investments	14	0.1	36.4
Deferred tax assets		13.8	9.0
		<u>316.8</u>	<u>419.2</u>
<b>Current assets</b>			
Stocks	15	127.6	159.6
Debtors: amounts falling due within one year	16	902.4	781.1
Cash at bank and in hand		67.2	25.9
Derivative financial instruments		0.6	8.7
		<u>1097.8</u>	<u>975.3</u>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	17	(309.4)	(280.4)
Derivative financial instruments		(6.3)	(1.1)
Provisions for liabilities and charges	18	(21.9)	(8.1)
		<u>(337.6)</u>	<u>(289.6)</u>
<b>Net current assets</b>		<u>760.2</u>	<u>685.7</u>
<b>Total assets less current liabilities</b>		<b>1077.0</b>	<b>1104.9</b>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after more than one year	17	(240.7)	(292.5)
Provisions for liabilities and charges	18	(12.4)	(2.8)
<b>Net assets</b>		<u>823.9</u>	<u>809.6</u>
<b>Capital and reserves</b>			
Called up share capital	19	120.2	120.2
Hedging reserve		(1.8)	4.2
Profit and loss account		705.5	685.2
<b>Shareholders' funds</b>		<u>823.9</u>	<u>809.6</u>

The notes on pages 22 to 56 form part of these financial statements.

Approved by the Board on 8th October 2021 and signed on its behalf by:

**Halfords Limited**

**Balance Sheet as at 2 April 2021**

(Registration number: 00103161)



L Woodhouse  
Director

## Halfords Limited

### Statement of Changes in Equity for the 52 week period ended 2 April 2021

	Called up share capital £ m	Hedging reserve £ m	Profit and loss account £ m	Total equity £ m
At 30 March 2019	120.2	1.2	692.3	813.7
Impact of adoption of IFRS 16	-	-	(27.0)	(27.0)
<b>At 30 March 2019</b>	<b>120.2</b>	<b>1.2</b>	<b>665.3</b>	<b>786.7</b>
Profit for the period	-	-	20.3	20.3
Fair value changes in the period	-	7.9	(1.2)	6.7
Deferred income tax on other comprehensive income	-	(0.7)	-	(0.7)
<b>Total comprehensive income</b>	<b>-</b>	<b>7.2</b>	<b>19.1</b>	<b>26.3</b>
<b>Hedging gains and losses and costs of hedging transferred to the cost of inventory</b>	<b>-</b>	<b>(4.2)</b>	<b>-</b>	<b>(4.2)</b>
<b>Transactions with owners</b>				
Share based payment transactions	-	-	1.0	1.0
Income tax on share-based payment transactions	-	-	(0.2)	(0.2)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>0.8</b>
<b>At 3 April 2020</b>	<b>120.2</b>	<b>4.2</b>	<b>685.2</b>	<b>809.6</b>

## Halfords Limited

### Statement of Changes in Equity for the 52 week period ended 2 April 2021

	Called up share capital £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
At 3 April 2020	120.2	4.2	685.2	809.6
Profit for the period	-	-	38.4	38.4
Fair value changes in the period	-	(9.6)	(1.1)	(10.7)
Deferred income tax on other comprehensive income	-	1.6	-	1.6
<b>Total comprehensive income</b>	<b>-</b>	<b>(8.0)</b>	<b>37.3</b>	<b>29.3</b>
<b>Hedging gains and losses and costs of hedging transferred to the cost of inventory</b>	<b>-</b>	<b>2.0</b>	<b>-</b>	<b>2.0</b>
<b>Transactions with owners</b>				
Share based payment transactions	-	-	6.5	6.5
Income tax on share-based payment transactions	-	-	0.4	0.4
Dividend in specie*	-	-	(23.9)	(23.9)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(17.0)</b>	<b>(17.0)</b>
<b>At 2 April 2021</b>	<b>120.2</b>	<b>(1.8)</b>	<b>705.5</b>	<b>823.9</b>

\*relates to shares in Performance Cycling Holdings Limited transferred from Halfords Limited to Halfords Group Holdings Limited by declaring a dividend in specie. This is in conjunction with the wider Group restructure, see note 14.

The notes on pages 22 to 56 form part of these financial statements.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies

##### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### Basis of preparation

Halfords Limited ("the Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Reporting Standards in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and has set below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Halfords Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Halfords Group plc are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Halfords Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets
- Financial instruments disclosures as required by IFRS 7 Financial Instruments: Disclosures

The Company's financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£m to one decimal place) except when otherwise indicated.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the company's directors to exercise judgement in applying the company's accounting. Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in note 2.

The principal accounting policies adopted are set out below.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the good and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The financial statements are prepared for the period up to the Friday closest to 31 March. 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

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

The going concern basis is considered appropriate based on the assessment made by the Directors. The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Halfords Group plc, the Company's ultimate parent. Halfords Group plc has indicated that for at least 12 months from the date of approval of these financial statements ("going concern assessment period"), it will continue to make available such funds as are needed by the Company, and in particular will not seek repayment of the amounts currently made available unless the company has the means to pay. The Directors consider that this will enable the Company to continue in operational existence for the going concern assessment period by meeting its liabilities as they fall due for payment.

In determining the appropriate basis of preparation of the financial statements for the year ended 2 April 2021, the Group Directors reviewed 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. Further details of these reviews can be found in the Principal Risk and Uncertainty Report and Viability Report in the Group's Annual Report, which does not form part of this report. This analysis has then been extended to March 2023 for the purposes of the subsidiary financial statement approvals.

The ultimate parent company, Halfords Group plc, has a revolving credit facility of £180m at the date of approval of these financial statements, which expires on 3 December 2023, and has no other debt or facilities.

On the basis of the availability of the Group banking facility, the Directors assessment of the Company's financial position and of the enquiries made of the Directors of Halfords Group Plc, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the going concern assessment period.

#### Turnover

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

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

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

Automotive, leisure and cycling products, fitting and repair operations	<p>The majority (both value and volume) of the Company'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. 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 customers, at which point revenue is recognised.</p>
Service and repair plans	<p>The Company offers various service and repair plans to customers. The Company recognises revenue on these on a straight-line basis over the period of the plan. The performance obligation of the Company, 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 accruals and deferred income.</p>
Product warranties	<p>Certain products, principally motoring, 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 Company, 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 accruals and deferred income.</p>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### Supplier Income

As is common in the retail industry, the Company receives income from their suppliers based on specific agreements in place. These enable the Company 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 Company 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 Company's financial period end. Such income is only recognised when there is reasonable certainty that the conditions for recognition have been met by the Company, and the income can be reliably measured based on the terms of the contract. The Company 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 income on funds invested. Income is recognised, as it accrues in profit or loss, using the effective interest rate.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### Foreign currency transactions and balances

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions denominated in currencies other than the functional currency are translated at the rate prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies held at the period end are translated at the rates of exchange prevailing at the balance sheet date. Where covered by forward exchange contracts liabilities are translated at the future contract rates.

Exchange differences are dealt with in the profit and loss account in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see note 1 derivative financial instruments and hedging).

##### Non-underlying items

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

##### Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

##### *Current Tax*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Company intends to settle its current tax assets and liabilities on a net basis.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### *Deferred tax*

Deferred tax is provided in respect of all temporary differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

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.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### **Tangible fixed assets**

Tangible fixed assets are valued at cost less accumulated depreciation. Cost is written off in equal instalments over their expected useful lives. This policy is reviewed on a regular basis to ensure that the expected useful lives are appropriate.

Any impairment in the value of such fixed assets is charged to the profit and loss account as it arises.

The periods over which the assets are being depreciated are as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Short leasehold land and buildings	over the period of the lease
Motor vehicles	33% per annum
Leasehold improvements	over the period of the lease to a maximum of 25 years
Fixtures, fittings and equipment	10 to 25% per annum
Computer equipment	33% per annum

##### **Intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure, including website development, is also written off, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects.

Costs that are directly associated with identifiable and unique software products controlled by the Company, 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### Investments

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

##### Cash and cash equivalents

Cash comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

##### Stock

Stocks are valued 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.

Cost of stock includes transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of goods or products.

##### Provisions

A provision is recognised if, as a result of a past event, the Company 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.

Where the Company 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 Company's unavoidable cost of meeting its obligations for maintaining the property. 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 Company is received that could lead to there being an outflow of benefits from the Company. 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### Leases

The Company leases various offices, warehouses, retail stores, 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 Company allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. However, for leases of real estate for which the Company 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 Company determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised. The Company considers the lease term to be the non-cancellable period and in assessing this applies the definition of a contract and determines the period for which the contract is enforceable.

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 payments 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 Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. 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 Company, 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

To determine the incremental borrowing rate, the Company:

- 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 Company; and
- makes adjustments specific to the lease, for example location, type of property.

The Company 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 Company revises its estimate of the term of any lease (because, for example, it reassesses 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

The right-of-use assets are considered for impairment at each reporting date.

When the Company 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 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.

Leases in which the Company 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.

#### Pensions

The Halfords Pension Plan is a contract based plan, where each member has their own individual pension policy, which they monitor independently. The Company 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### Share based payments

Halfords Group plc operates a number of equity-settled share-based compensation plans, under which employees of Halfords Limited have been granted options during the period.

The fair value of the employee services received under such schemes is recognised as an expense within the employing company with a corresponding adjustment to equity.

Fair values are determined by use of appropriate pricing models. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share incentives that are expected to vest. 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 in the profit and loss account, with a corresponding adjustment to equity, over the remaining vesting period.

##### Financial instruments

###### Initial recognition

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not a Fair Value Through the P&L (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially recognised at the transaction price.

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

###### Classification and measurement

###### *Financial assets*

On initial recognition, a financial asset is measured at: amortised cost; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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.

All financial assets not measured at amortised cost or fair value through other comprehensive income (FVOCI) are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### *Financial assets: Business model assessment*

The Company makes an assessment of the objective of the business model in which a financial asset is held. This information considered includes:

- The stated policies and objectives for the business unit and the operation of those policies in practice;
- How the performance of the business unit is evaluated and reported to Company's management; and
- 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.

##### *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 Company 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 Company 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 Company'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.

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.

##### **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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### Derecognition

###### *Financial assets*

The Company 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 Company 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 Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

##### Offsetting

Financial assets and financial liabilities are offset and the net position presented in the statement of financial position when, and only when, the Company 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.

##### Impairment

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company 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 Company's historical experience and informed credit assessment and forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company 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 Company 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 Company's procedures for recovery of amounts due.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 1 Accounting policies (continued)

##### Derivative financial instruments and hedging

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 Company does not hold or issue derivative financial instruments for trading purposes. The Company 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 re-measured at their fair value.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company 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 re-measuring the derivative instrument is recognised in OCI and accumulated in the hedging reserve. Any element of the re-measurement of the derivative instrument that does not meet the criteria for an effective hedge is recognised immediately in the 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.

#### 2 Critical accounting judgements and key sources of estimation uncertainty

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

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### **Provision for liabilities and charges**

Assessing the financial outcome of uncertain commercial and legal positions requires significant judgements to be made. Assessments are based on the most recent information available to management supported by the Company's legal counsel where appropriate.

##### **Impairment of assets**

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.

##### **Allowances against the carrying value of stocks**

The Company 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 Company 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.

##### **Lease terms and incremental borrowing rate**

Under IFRS 16, the Company 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 Company'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 Company has therefore made a judgement to determine the incremental borrowing rate used. As a result of the significant impact the transition to IFRS 16 has on the Company's balance sheet, the discount rate is considered to be a significant judgement. The discount rate applied ranges between 1.14% and 3.77% dependent on the length of the lease term.

At the commencement date of property leases the Company determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised. The Company considers the lease term to be the non-cancellable period and in assessing this applies the definition of a contract and determines the period for which the contract is enforceable. The length of the lease term is based on the contractual right to utilise the asset and is not considered to involve a significant level of judgement because the Company has not taken into account break clauses unless they have been approved.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Intercompany recoverability

Intercompany receivable recoverability is considered in accordance with IFRS 9. Management judgement and estimation is required in the assessment of credit risk and expected future cashflows from the intercompany debtor.

##### National Minimum Wage

HMRC conducted an investigation into national minimum wage liability across the Halfords Group. The Group and the Company 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 Company'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.

#### 3 Turnover

Turnover comprises retail sales wholly in the UK and the Republic of Ireland.

#### 4 Operating profit

	<b>52 weeks to 2 April 2021 £m</b>	<b>53 weeks to 3 April 2020 £m</b>
<b>Operating profit shown is arrived at after charging/(crediting):</b>		
Operating lease rentals: (in relation to short term or low value leases)		
- plant and machinery	-	0.1
- other property rents	3.1	0.2
Rentals receivable under operating leases	(2.6)	(2.9)
Landlord surrender premiums	0.1	(0.6)
Depreciation of fixed assets:		
- owned assets	15.8	20.2
Amortisation of right-of-use assets	57.9	63.5
Amortisation of intangible assets	8.9	7.9
Impairment of fixed assets	3.4	4.4
Impairment of right-of-use assets	11.6	8.5
Loss on disposal of fixed assets	0.2	1.3
Cost of inventories consumed in cost of sales	478.0	459.9
Loss on disposal of intangible assets	1.0	-
	<b>1.0</b>	<b>-</b>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 4 Operating profit (continued)

The total fees in relation to the audit of Halfords Limited and other group companies for which Halfords Limited has borne the cost was £0.6m (2020: £0.5m) payable to BDO LLP and their associates during the period.

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Fees payable for the audit of the Company's accounts	183.0	159.0

#### 5 Staff costs

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Stores	6,800	7,076
Support Centre	754	804
Central Warehousing	530	518
	<b>8,084</b>	<b>8,398</b>

The aggregated payroll cost was as follows:

	<b>52 weeks to 2</b>	<b>53 weeks to 3</b>
	<b>April 2021</b>	<b>April 2020</b>
	<b>£m</b>	<b>£m</b>
Wages and salaries	174.3	160.7
Social security costs	10.9	10.8
Share-based payment charge	6.5	1.0
Other pension costs (see note 21)	4.1	4.0
Redundancies included in non-underlying items	5.9	-
	<b>201.7</b>	<b>176.5</b>

#### 6 Directors' remuneration

The directors' remuneration for the period was as follows:

	<b>2021</b>	<b>2020</b>
	<b>£ m</b>	<b>£ m</b>
Directors emoluments for services to the Company	3.8	1.6
Aggregate value of pension contributions	0.2	0.2
Share based payments	2.8	-
	<b>6.8</b>	<b>1.8</b>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 6 Directors' remuneration (continued)

£0.3m payment due to loss of office was made to a Director during the year.

During the period the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Number of Directors who received contributions to personal pension plans and share incentives	<u>4</u>	<u>4</u>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 6 Directors' remuneration (continued)

In respect of the highest paid director:

	2021 £ m	2020 £ m
Remuneration	2.4	0.7

#### 7 Non-underlying items

	52 weeks to 2 April 2021 £m	53 weeks to 3 April 2020 £m
<b>Non-underlying operating costs:</b>		
Organisational restructure costs (a)	17.9	2.4
Group wide strategic review (b)	-	1.0
One-off claims (c)	3.1	0.5
Closure costs (d)	23.0	26.8
Intercompany provision (e)	-	2.4
<b>Non-underlying items before tax</b>	<b>44.0</b>	<b>33.1</b>
	-	-
Tax on non-recurring items (f)	(5.6)	(4.5)
<b>Non-underlying items after tax</b>	<b>38.4</b>	<b>28.6</b>

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

- Redundancy costs of £5.6m (FY20: £1.4m) relating to roles which have been outsourced or otherwise will not be replaced;
- In the prior year £1.0m of asset write-offs, principally resulting from the strategic decision to re-platform the website;

In the current year the Company have also recognised a loss on disposal for an investment in Nationwide of £12.3m as part of the reorganisation of the Group structure, see note 14 for further details.

(b) The prior period costs were incurred in preparing and implementing the new Group strategy.

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

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 7 Non-underlying items (continued)

(c) The Company has continued to work with HMRC and external advisors during FY21 on a National Minimum Wage enquiry 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 Company'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.

(d) Of the closure costs £25.5m represents costs associated with the closure of a number of stores following a strategic review of the profitability of the physical estate. The costs mostly relate to the impairment of right-of-use assets, 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).

(e) A provision of £2.4m was recognised for an intercompany receivable due from Boardman International Limited in the prior year.

(f) The tax credit of £5.6m (2020: £4.5m) represents a tax rate of 17.7% (2020: 14.7%) applied to non-underlying items.

#### 8 Finance income

	52 weeks to 2 April 2021 £ m	53 weeks to 3 April 2020 £ m
Interest on loans to group undertakings	<u>4.6</u>	<u>7.0</u>

#### 9 Interest payable and similar charges

	2021 £ m	2020 £ m
Interest expense (Interest expense on lease liabilities £8.6m (FY20: £10m))	<u>9.3</u>	<u>10.0</u>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 10 Income tax

Tax charged in the statement of profit or loss

	2021 £ m	2020 £ m
<b>Current taxation</b>		
UK corporation tax	13.5	5.7
UK corporation tax adjustment to prior periods	<u>(1.5)</u>	<u>(0.5)</u>
<b>Total current income tax charge</b>	<u><b>12.0</b></u>	<u><b>5.2</b></u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(2.9)	(0.2)
Arising from changes in tax rates and laws	-	(1.0)
Adjustment in respect of prior period	<u>0.1</u>	<u>(0.6)</u>
<b>Total deferred taxation (credit)</b>	<u><b>(2.8)</b></u>	<u><b>(1.8)</b></u>
<b>Tax expense in the statement of profit or loss</b>	<u><b>9.2</b></u>	<u><b>3.4</b></u>

In addition to the above a £0.4m deferred tax credit (2020: £0.2m debit) is recognised in reserves in relation to employee share options.

A further £1.6m tax credit (2020: £0.7m) is recognised in other comprehensive income in relation to fair value changes in the period.

The tax on the Company's profits before tax differs from the theoretical amount that would arise using the tax rate in the UK as follows:

	2021 £ m	2020 £ m
<b>Profit before tax</b>	<u><b>47.6</b></u>	<u><b>23.7</b></u>
<b>Corporation tax at standard rate (19%)</b>	<b>9.0</b>	<b>4.5</b>
Decrease in current and deferred tax adjustment to prior periods	(1.4)	(1.1)
Increase from effect of capital allowances depreciation	0.3	0.5
Decrease from effect of different tax rates on some earnings	(0.3)	(0.3)
Increase from effect of expenses not deductible in determining taxable profit	4.1	1.9
Decrease from recognition of a deferred tax asset in relation to share options	(2.5)	-
Impact of the change in tax rates on deferred tax	-	(1.0)
Decrease in current tax from unrecognised temporary difference from a prior period	<u>-</u>	<u>(1.1)</u>
<b>Total tax charge</b>	<u><b>9.2</b></u>	<u><b>3.4</b></u>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 10 Income tax (continued)

Under IAS 12 deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

#### Deferred tax

Deferred tax movement during the period:

	At 3 April 2020 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	Recognised in equity £ m	At 2 April 2021 £ m
Depreciation expensed in excess of capital allowances claimed	4.2	0.6	-	-	4.8
Other temporary differences	(0.5)	2.9	1.6	0.4	4.4
Impact on adoption of IFRS 16	5.3	(0.7)	-	-	4.6
Net tax assets	<u>9.0</u>	<u>2.8</u>	<u>1.6</u>	<u>0.4</u>	<u>13.8</u>

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

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 a result the 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 DT position would be to increase the deferred tax asset by £4.9m.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 11 Tangible assets

	Land and buildings £ m	Furniture, fittings and equipment £ m	Total £ m
<b>Cost</b>			
At 4 April 2020	38.8	229.7	268.5
Additions	0.3	13.1	13.4
<b>At 2 April 2021</b>	<b>39.1</b>	<b>242.8</b>	<b>281.9</b>
<b>Depreciation</b>			
At 4 April 2020	30.9	176.6	207.5
Charge for the period	2.1	13.7	15.8
Impairment for the period	0.5	2.9	3.4
Other	(0.2)	-	(0.2)
<b>At 2 April 2021</b>	<b>33.3</b>	<b>193.2</b>	<b>226.5</b>
<b>Carrying amount</b>			
<b>At 2 April 2021</b>	<b>5.8</b>	<b>49.6</b>	<b>55.4</b>
<b>At 3 April 2020</b>	<b>7.9</b>	<b>53.1</b>	<b>61.0</b>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 12 Intangible assets

	<b>Computer Software £ m</b>
<b>Cost</b>	
At 4 April 2020	69.7
Additions	8.9
Disposals	<u>(2.1)</u>
<b>At 2 April 2021</b>	<b><u>76.5</u></b>
<b>Amortisation</b>	
At 4 April 2020	46.4
Amortisation charge	8.9
Amortisation eliminated on disposals	<u>(1.1)</u>
<b>At 2 April 2021</b>	<b><u>54.2</u></b>
<b>Carrying amount</b>	
<b>At 2 April 2021</b>	<b><u>22.3</u></b>
<b>At 3 April 2020</b>	<b><u>23.3</u></b>

#### 13 Leases

##### i) Amounts recognised in the balance sheet

##### Right-of-use assets

	<b>Land and buildings £ m</b>	<b>Equipment £ m</b>	<b>Total £m</b>
At 3 April 2020	286.8	2.7	289.5
Additions to right-of-use assets	7.3	-	7.3
Amortisation charge for the year	(56.0)	(1.9)	(57.9)
Effect of modification of lease	4.5	-	4.5
Derecognition of right-of-use assets	(6.6)	-	(6.6)
Impairment	<u>(11.6)</u>	<u>-</u>	<u>(11.6)</u>
<b>2 April 2021</b>	<b><u>224.4</u></b>	<b><u>0.8</u></b>	<b><u>225.2</u></b>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 13 Leases (continued)

##### Lease liabilities

	Land and buildings £ m	Equipment £ m	Total £m
At 3 April 2020	354.5	2.6	357.1
Additions to lease liabilities	7.6	-	7.6
Interest expense	8.6	-	8.6
Effect of modification of lease	4.5	-	4.5
Lease payments	(80.8)	(1.9)	(82.7)
Foreign exchange movements	(0.7)	-	(0.7)
Disposals	(6.9)	-	(6.9)
<b>At 2 April 2021</b>	<b><u>286.8</u></b>	<b><u>0.7</u></b>	<b><u>287.5</u></b>

##### Carrying value of lease liabilities included in the balance sheet

	Total £m
Current liabilities	50.1
Non-current liabilities	<u>237.4</u>
<b>At 2 April 2021</b>	<b><u>287.5</u></b>

##### ii) Amounts recognised in the statement of profit or loss

	Land and buildings £ m	Equipment £ m	Total £m
Depreciation charge on right-of-use assets	56.0	1.9	57.9
Interest on lease liabilities	8.5	0.1	8.6
Expenses relating to short-term leases	3.1	-	3.1
Impairment in ROU asset	11.6	-	11.6
	<b><u>79.2</u></b>	<b><u>2.0</u></b>	<b><u>81.2</u></b>

#### 14 Investments

Subsidiaries	£ m
<b>Cost</b>	
At 3 April 2020	36.4
Reorganisation transfer	(24.0)
Loss on disposal of investment	<u>(12.3)</u>
<b>At 2 April 2021</b>	<b><u>0.1</u></b>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 14 Investments (continued)

Details of the subsidiaries as at 2 April 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership held
Boardman Bikes Limited	Non-trading	Icknield Street Drive, Redditch, Worcestershire, B98 0DE England & Wales	100%
Boardman International Limited	Non-trading	Icknield Street Drive, Redditch, Worcestershire, B98 0DE England & Wales	100%

During the year, the Group has commenced a reorganisation of the Group structure with the objective to reduce the number of non-trading entities in the Group; refer to note 25 for further details. 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 and the parent of Halfords Limited.

As part of the reorganisation, the 0.09% (£50,000) partnership interest that was held by Halfords Limited in Halfords Investments (2010) LP was acquired by Halfords Finance Limited for £29,000. The deficit of £21,000 was written off.

Furthermore on 1st and 2nd April 2021 Halfords Limited transferred its share in Performance Cycling Holdings Limited to Halfords Group Holdings Limited for the carrying value of £23,931,763 by way of a dividend in specie to Halfords Group Holdings.

Certain name protection entities were also transferred out of Halfords Limited and into Halfords Group Holdings Limited as part of the exercise.

The Company's investment in Nationwide Holdings Limited was transferred as part of the Group reorganisation and created a loss on disposal of £12,323,045 which is included in non-underlying items in the profit and loss account.

The transactions took place over the 1st and 2nd April 2021.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 15 Stock

	<b>2 April 2021</b>	<b>3 April 2020</b>
	<b>£ m</b>	<b>£ m</b>
Finished goods and goods for resale	<u>127.6</u>	<u>159.6</u>

Goods bought for retail recognised as a cost of sale amounted to £478m (2020: £459.9m).

Finished goods inventories include £14.1m (2020: £17.3m) of provisions to carry inventories at net realisable value where such value is lower than cost. During the period £3.2m of inventory provisions were released (no reversals in the prior period).

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 16 Debtors

	2 April 2021 £ m	3 April 2020 £ m
<b>Falling due within one year:</b>		
Trade debtors	13.7	10.3
Amounts owed by group undertakings	842.7	735.6
Prepayments	24.6	23.2
Other debtors	17.1	3.5
Income tax asset	4.3	8.5
	<u>902.4</u>	<u>781.1</u>

All amounts owed by group undertakings are repayable on demand, however of the amounts above £838.1m is not expected to be repaid within 12 months of the balance sheet date. A number of these balances have been waived post year end see note 25 for further details.

#### 17 Creditors

	2 April 2021 £ m	3 April 2020 £ m
<b>Amounts falling due within one year</b>		
Trade creditors	99.1	76.8
Accruals and deferred income	73.4	49.3
Amounts due to group undertakings	51.4	52.6
Social security and other taxes	26.4	25.2
Other creditors	9.0	4.2
Lease liabilities	50.1	72.5
	<u>309.4</u>	<u>280.4</u>
<b>Amounts falling due after more than one year</b>		
Lease liabilities	237.4	284.6
Accruals and deferred income	3.3	7.9
	<u>240.7</u>	<u>292.5</u>

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 18 Provisions for liabilities and charges

	Property related £ m	Other provisions £ m	Total £ m
At 3 April 2020	(3.8)	(7.1)	(10.9)
Charged during the period	(12.1)	(14.5)	(26.6)
Reclassification from accruals*	(9.0)	-	(9.0)
Provisions used	2.2	4.7	6.9
Unused provision reversed	0.4	4.9	5.3
<b>At 2 April 2021</b>	<b><u>(22.3)</u></b>	<b><u>(12.0)</u></b>	<b><u>(34.3)</u></b>
<b>Non-current liabilities</b>	<b><u>(10.9)</u></b>	<b><u>(1.5)</u></b>	<b><u>(12.4)</u></b>
<b>Current liabilities</b>	<b><u>(11.3)</u></b>	<b><u>(10.6)</u></b>	<b><u>(21.9)</u></b>

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

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 19 Share capital

##### Allotted, called up and fully paid shares

	2 April 2021	£ m	3 April 2020	£ m
	No.		No.	
Allotted, called up and fully paid of £1 each	<u>120,216,500</u>	<u>120.2</u>	<u>120,216,500</u>	<u>120.2</u>

During the current period there has been no movement in the Company's share capital.

#### 20 Reserves

Reserve	Description and purpose
Share capital	Nominal value of share capital prescribed for.
Hedging reserve	Comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.
Profit and loss account	All other net gains and losses and transactions with owners not recognised elsewhere.

#### 21 Pension and other schemes

Employees are offered membership of the Halfords Pension Plan. The Company operates a contract based plan for its employees, where each member has their own individual pension policy, which they monitor independently. The costs of contributions to the scheme are charged to the profit and loss account in the period that they arise. The employer contributions to the scheme for the period amounted to £4.1m (2020: £4.0m).

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, who earn more than £10,000 a year, and work in the UK will be automatically enrolled into the Company pension arrangement. Employees retain the right to withdraw from this pension arrangement; however, election of this choice must be made.

#### 22 Share-based payments

Halfords Group plc has five share award plans in which employees of Halfords Limited participate, all of which are equity-settled schemes. The Company Income Statement charge recognised in respect of all share-based payments for the current period is £6.5m (2020: £1.0m). All scheme options were valued using the Black-Scholes option-pricing models.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 22 Share-based payments (continued)

##### Halfords Company Share Option Scheme ('CSOS')

The CSOS was introduced in June 2004 and the Company's ultimate parent Halfords Group Plc 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 10 years.

Options granted will become 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.

No share options were granted under this scheme in the current period or the prior period. The 690,000 share options outstanding at 2 April 2021 had exercise prices ranging from £3.07 to £5.43 and a weighted average remaining contractual life of 2.3 years (2020: 3.3 years).

##### 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 10 years from the date on which it was granted. Exercise of an option is subject to continued employment.

567,000 share options were granted in FY21 (2020: 746,000), with a weighted average remaining contractual life of 8.5 years (2020: 8.8 years). There were 1,677,000 share options outstanding at 2 April 2021.

##### 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 his 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.

The weighted average exercise price of share options granted during the period was £1.45 (2020: £1.80). The share options outstanding at 3 April 2020 had exercise prices ranging from £1.34 to £2.78 and a weighted average remaining contractual life of 2.6 years (2020: 2.6 years). The number of share options outstanding at 2 April 2021 was 7,247,000.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 22 Share-based payments (continued)

##### Performance Share Plan ('PSP')

The PSP is a long-term incentive scheme for senior management, comprising annual awards of shares with vesting based on performance over a three-year period (or such other period as the Group Remuneration Committee shall determine).

The prior period PSP performance criteria are weighted 25% towards Group revenue growth targets and 75% towards Group EPS growth targets. The current period PSP performance criteria are weighted 25% towards Group revenue growth targets, 50% towards Group EPS growth targets and 25% towards Group free cash flow. In order to focus management the awards are underpinned by the Group Remuneration Committee determining whether, in its opinion, the extent to which the performance criteria have been satisfied is a genuine reflection of the Group's underlying performance and has generated value for Group's shareholders over the performance period, and by a net debt to EBITDA (earnings before interest, depreciation and amortisation) ratio no greater than 1.5x throughout the three-year performance period.

The options outstanding at 2 April 2021 had a weighted average remaining contractual life of 1.8 years (2020: 1.8 years).

#### 23 Contingent liability

Halfords Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other group companies. The possibility of a cash outflow in respect of the cash netting arrangements the company is party to is considered remote and therefore the effect is not quantified. 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 is also a guarantor of the Group's borrowing facility (a three year £180m revolving credit facility (with the option for two extensions of one year each) which began on 4 December 2020 and expires on 3 December 2023).

#### 24 Parent and ultimate parent undertaking

Following the group re-organisation which commenced during the period (note 25), the Company's immediate holding company is Halfords Group Holdings Limited. The Company's ultimate holding company and its ultimate controlling party is Halfords Group plc, a company incorporated in Great Britain and registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The results of the Company are included in the Group financial statements of Halfords Group plc.

Copies of the group financial statements may be obtained from the Company Secretary at Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE.

The Company has taken advantage of the exemption given by FRS101.8(k) to subsidiary undertakings, 100% of whose voting rights are controlled within the group, by not disclosing information on related party transactions with entities that are part of the Group.

## Halfords Limited

### Notes to the Financial Statements for the period ended 2 April 2021

#### 25 Post balance sheet events

Halfords Group Plc has undertaken a reorganisation exercise to achieve a simplified structure of the Group and wind down unnecessary holding entities ready for dissolution, and reduce the compliance and admin costs associated with the existing structure.

Post year end as part of the steps to wind down the entities, there is a proposal to waive some intercompany agreements, releasing the borrowing entities from their obligation to settle balances. This is purely a step to achieve the restructure and simplification of the entities in the Group. The expected net impact of this on the Halfords Limited accounts is a reduction in intercompany receivables and profit and loss reserves of £473.8m.