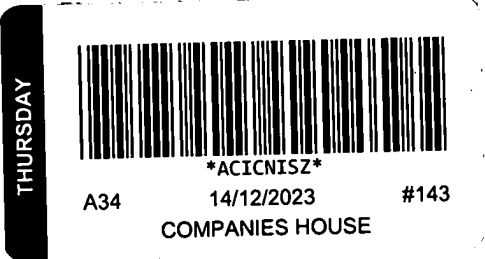


Registration number: 00103161

# Halfords Limited

Annual Report and Financial Statements

for the 52 week period ended 31 March 2023



## **Halfords Limited**

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## **Halfords Limited**

### **Company Information**

|                          |   |
|--------------------------|---|
| <b>Directors</b>         | G Stapleton<br>L Woodhouse (resigned 16 June 2022)<br>K Bellairs<br>J Hartley (appointed 16 June 2022)<br>P O'Hara<br>A Randall (resigned 7 October 2022) |
| <b>Company secretary</b> | T O'Gorman  |
| <b>Registered office</b> | Icknield Street Drive<br>Washford West<br>Redditch<br>Worcestershire<br>B98 0DE   |
| <b>Auditors</b>          | BDO LLP<br>55 Baker Street<br>London<br>W1U 7EU   |

# Halfords Limited

## Strategic Report for the period ended 31 March 2023

The Directors present their Strategic Report on the Company together with the audited financial statements for the 52-week period from 2 April 2022 to 31 March 2023.

### Review of the business and future developments

The Company is engaged in the retailing of automotive, leisure and cycling products and services through retail stores and online.

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 31 March 2023 was £932.3m (2022: £948.5m), producing an operating profit before non-underlying items of £56.6m (2022: £87.0m). After a non-underlying operating expense of £0.7m (2022: £8.9m credit) (see note 7), operating profit was £55.9m (2022: £95.9m).

The profit on ordinary activities before tax and non-underlying items for the period was £54.7m (2022: £82.6m). Profit attributable to shareholders was £44.7m (2022: £75.3m). An interim dividend of £nil was paid during the period (2022: £506.5m). The Directors do not recommend a final dividend (2022: £nil).

Total revenue in the year declined by 1.7%, significantly impacted by ongoing economic conditions relating to the cost of living crisis and high inflation environment resulting in weakened customer spending impacting both motoring and cycling.

Gross profit represented 49.3% of sales (2022: 51.9%), a decrease of 250bps on FY22. The gross margin decline is driven by inflation in the cost of goods sold and freight costs year on year, which were not passed on to consumers in their entirety given the cost of living crisis. The inflationary pressures have also resulted in an increase in costs incurred during the period resulting in a reduction of operating profit of £40.0m compared to FY22.

Net non-underlying expense of £0.7m predominantly related to organisational restructuring costs, offset by the release of provisions and lease liabilities for closed stores as the group continues to negotiate lease disposals and review provisions held in place.

Net assets at 31 March 2023 were £474.9m (2022: £431.5m). The Company maintains considerable reserves on the balance sheet meaning it is well-positioned in the current economic climate. It continues to trade profitably and has cash balances at 31 March 2023 of £22.7m (2022: £39.2m).

### 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 non-underlying items:

|                           | Unit | 2023  | 2022  |
|---------------------------|------|-------|-------|
| Like-for-Like (LfL) Sales | %    | (1.9) | (0.6) |
| Gross profit percentage   | %    | 49.3  | 51.9  |
| Costs as a % of sales     | %    | 43.9  | 43.5  |

## Halfords Limited

### Strategic Report for the period ended 31 March 2023

#### 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:

| Risk title                                     | Risk description   | Current mitigation  | Focus in 2024   |
|--|--|---|---|
| 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>- Dedicated Transformation and Change team.</li> <li>- Continued advancement of our change programme managed through the Transformation Board</li> <li>- Project managers in place.</li> </ul>   | <ul style="list-style-type: none"> <li>- Continue to align our change plan with the key objectives of the corporate strategy</li> <li>- Further enhance tracking and monitoring of project progress and delivery through use of software</li> <li>- Enhance change capability more broadly across the wider business</li> </ul>   |
| Stakeholder support and confidence in strategy | Loss of confidence in the business and withdrawal of resources   | <ul style="list-style-type: none"> <li>- Engagement with internal and external stakeholders to ensure they understand of our performance and strategy</li> <li>- The CMD in April 2023 provided further support and understanding of the long term prospects of the business</li> </ul>   | <ul style="list-style-type: none"> <li>- Maintain progress on the delivery of our strategic objectives</li> <li>- Continue to proactively engage with investors through scheduled events, and transparent and regular communication, laid out at our Capital Markets Day</li> <li>- Enhance understanding of colleague engagement through more regular surveys throughout the year and continuing our regular listening groups</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>- Introduction of our "Never Beaten On Price" campaign, and improve our financial services offering, cycle to work proposition, and pre-loved bike offers</li> <li>- Launch of the Motoring Loyalty Club, which grew to 17m members during the year, providing members with access to a wide range of benefits and discounts</li> </ul> | <ul style="list-style-type: none"> <li>- Maintaining an agile trading plan, flexing promotions to respond to a changing customer landscape</li> <li>- Enhancing our financial services proposition to offer more flexible payment options to customers</li> <li>- Growing and enhancing the Motoring Loyalty Club to help even more customers enjoy savings and benefits</li> </ul>   |

## Halfords Limited

### Strategic Report for the period ended 31 March 2023

|   |  |   |   |
|---|--|---|---|
| <p>Brand Appeal and Market Share</p>      | <p>Inability to grow our customer base and market share due to insufficient investment in our brand</p>  | <ul style="list-style-type: none"> <li>- Growth in market share across our core categories, investment in price and a range of enhancements to our online customer journey</li> <li>- Growth of the Motoring Loyalty Club to hundreds of thousands of new customers</li> </ul>  | <ul style="list-style-type: none"> <li>- Drive personalisation and relevance through use of data and CRM</li> <li>- Enhancing the cycle to work platform to be accessible to more companies, particularly SMEs</li> <li>- Continuing to grow the Motoring Loyalty Club and starting work to develop a Cycling Loyalty Club</li> </ul>   |
| <p>Climate Change and Electrification</p> | <p>Failure to deliver against our climate strategy or customer demand for electrification solutions and sustainable mobility options could lead to a loss in confidence in our brand</p>         | <ul style="list-style-type: none"> <li>- ESG Committee that monitors legislative changes, climate related due diligence, and reporting requirements</li> <li>- Collection of supply chain emissions data for scope 3 reporting</li> <li>- Reporting and risk management to support the requirements of the Taskforce on Climate Related Financial Disclosure (TCFD)</li> <li>- Robust electrification strategy</li> </ul>               | <ul style="list-style-type: none"> <li>- Investment in training and equipment for electric mobility</li> <li>- Our climate strategy is on track with over delivery of our ambitious scope 1 and 2 targets and excellent progress against scope 3, exceeding our data capture target in FY23</li> </ul>  |
| <p>Sustainable Business Model</p>         | <p>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.</p> | <ul style="list-style-type: none"> <li>- Focus on service related sales resulting in more stable revenue streams and reduced exposure to discretionary expenditure</li> <li>- Cost and efficiency program on freight and energy costs</li> <li>- Longstanding supplier relationships</li> <li>- Extract value from supplier contributions/support</li> <li>- US Dollar hedging programme</li> <li>- Debt facilities extended</li> </ul> | <ul style="list-style-type: none"> <li>- Cost Transformation programme to focus on short, medium and long-term cost reduction opportunities</li> <li>- Externally supported better buying program in place, supporting significant reduction in the cost of goods for resale</li> <li>- Fixed cost contracts entered into for inflationary cost categories</li> <li>- Rental costs reduced through property renegotiations and store closures</li> <li>- Group Data Platform identifying sales, cost and productivity opportunities</li> <li>- FX hedging programme in place</li> </ul> |

# Halfords Limited

## Strategic Report for the period ended 31 March 2023

|                                  |  |  |  |
|----------------------------------|--|--|--|
| <p>Regulatory and Compliance</p> | <p>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.</p> | <ul style="list-style-type: none"> <li>- Continual monitoring of legal and regulatory developments</li> <li>- The senior leadership team communicates tone from the top</li> <li>- Compliance training is provided to new colleagues</li> <li>- Finance Risk Committee established to focus on all aspects of financial risk and compliance</li> <li>- Code of conduct with our suppliers whom we monitor for compliance</li> <li>- Dedicated experts manage Health and safety, data protection, and Financial Conduct Authority compliance</li> <li>- Established Whistleblowing process is in place</li> </ul> | <ul style="list-style-type: none"> <li>- Continued monitoring of legal and regulatory developments</li> <li>- Improved Policy and procedures</li> <li>- Compliance Monitoring and Review</li> <li>- Focussed development of the H and S culture through improved KPI reporting, Investigations and training</li> <li>- Development of wellbeing standards</li> <li>- Regular training and information provided through user-friendly channels</li> </ul> |
| <p>Service Quality</p>           | <p>The services we provide fall below the quality standards to which we are committed, placing customers at risk of harm.</p>  | <ul style="list-style-type: none"> <li>- All colleagues are provided with dedicated training and adhere to established quality control and safety procedures</li> <li>- Dedicated compliance team monitoring our regulated activities</li> <li>- Retail Contact Centre provides a level of call answer rates that ensures we can provide a quality service to our customers whatever channel they choose</li> </ul>  | <ul style="list-style-type: none"> <li>- External Mystery Shop in place to monitor performance</li> <li>- An enhanced complaints programme with root cause analysis and learnings</li> </ul>   |

## Halfords Limited

### Strategic Report for the period ended 31 March 2023

|                                      |  |  |  |
|--------------------------------------|--|--|--|
| <p>Cyber Security</p>                | <p>Failure to sufficiently prevent, detect, and respond to cyber incidents and attacks may result in disruption of service, compromise of sensitive data, financial penalties and loss, and reputational damage.</p> | <ul style="list-style-type: none"> <li>- First line assurance security operations capabilities provided by security provider, TCS</li> <li>- Information Security team provides second line assurance role identifying and managing cyber-related risk, and developing and implementing our internal control framework</li> <li>- Third line assurance is provided by Internal Audit</li> <li>- Ongoing education and awareness campaign provided to all colleagues with regular briefings on the risks to our data and good cybersecurity practices</li> <li>- Audit Committee regularly briefed by senior Technology management on the business' cyber security framework</li> </ul> | <ul style="list-style-type: none"> <li>- Moving to a tactical and operational security model by transitioning to alignment with ISO27001 and away from the NIST Framework to ensure focus remains on the security fundamentals required</li> <li>- Identity and Access Management enhancement</li> <li>- Incident Management and response simulation and training</li> <li>- Further enhancing website security</li> </ul> |
| <p>Colleague Engagement/ Culture</p> | <p>Employment model is not sufficiently attractive to recruit and retain the talent we need. We do not maintain a sufficiently positive culture, failing to support a diverse and inclusive community.</p>           | <ul style="list-style-type: none"> <li>- Colleague strategy in place across the key stages of the colleague Lifecycle of 'Find Me, Train Me, Grow Me, Keep Me' with plans across each to drive attractiveness of our employee proposition</li> <li>- Maintaining our position as an above National Minimum Wage employer and maintaining a skills related pay progression for our skilled colleagues across the group to ensure market competitiveness</li> </ul>  | <ul style="list-style-type: none"> <li>- Launch of our Diversity and Inclusion strategy, which will broaden our attraction to external talent and support internal talent development</li> <li>- Further developing our colleague engagement strategy to broaden our listening and better inform our actions</li> </ul>  |
| <p>Skills Shortage</p>               | <p>Inability to recruit, retain and develop enough people to have the different mix of skills that we need at all levels across the business.</p>  | <ul style="list-style-type: none"> <li>- Implementation of an enhanced referral scheme to our internal colleagues for referring external hires</li> <li>- Development of 200 future retail managers through our Aspire programme and delivery of leadership development for our retail area managers</li> <li>- Evolving our recruitment operating model to a centralised support model that gives retail managers greater visibility and ownership of their recruitment at a local level</li> <li>- Implementation of our Hybrid working approach for Support Centre colleagues to create a balance of remote and face working</li> </ul>   | <ul style="list-style-type: none"> <li>- Launching 'The Academy' our digital learning system to step change our digital learning and development capability</li> <li>- Reviewing our careers website to refresh our applicant journey and employee brand</li> </ul>  |

**Strategic Report  
for the period ended 31 March 2023**

|  |  |  |   |
|--|--|--|---|
| <p>IT Infrastructure Failure</p>             | <p>Failure in our IT systems may cause significant disruption to, or prevention of, normal business-as-usual activities.</p>                     | <ul style="list-style-type: none"> <li>- Controls in place to maintain integrity of our infrastructure through governance of vendors and technology</li> <li>- All changes related to infrastructure are presented under change control with specific approval</li> <li>- A number of critical applications have been migrated into cloud for enhanced availability and key systems not migrated to cloud are hosted securely within 3rd party data centres</li> <li>- Disaster recovery arrangements, including comprehensive backup, patching and fall back strategies in place</li> </ul> | <ul style="list-style-type: none"> <li>- Modernisation of our older technologies inherited through acquisition</li> <li>- Network Transformation to enhance resilience</li> <li>- Replacement of Warehouse Management System</li> <li>- Enhancement of Service Assurance model to strengthen governance over our vendors</li> </ul> |
| <p>Disruption to end to end supply chain</p> | <p>Disruption to the end to end process creates a major impact to our business challenging our ability to meet sales and profit projections.</p> | <ul style="list-style-type: none"> <li>- Sourcing capability and supplier relationships are delivered through dedicated UK, Asian and Near sourcing teams</li> <li>- In-house expertise delivers high global trading standards from Authorised Economic Operator accreditation, Import/export expertise, and dedicated security at each of our Distribution Centre (DC) sites</li> <li>- Our 3PL relationships provide expertise and options</li> </ul>  | <ul style="list-style-type: none"> <li>- AEO accreditation review with HMRC scheduled for Sept 23</li> <li>- Maintenance of multiple, close and direct relationships with shipping lines</li> <li>- Replacement of Warehouse Management System</li> </ul>   |

## **Strategic Report for the period ended 31 March 2023**

### **Anti-corruption and anti-bribery matters**

The Company's Anti-Bribery and Corruption Policy statement reinforces that the Halfords Board is committed to conducting its business affairs in a way that ensures it does not engage in or facilitate any form of corruption. It is Halfords' policy to prohibit all forms of corruption amongst its colleagues, suppliers and any associated parties acting on its behalf. The Company has a detailed Anti-Bribery and Corruption Policy and maintains a Gifts and Hospitality Register. Anti-bribery expectations are set out in standard purchasing terms and conditions. Face-to-face and online training has been provided to colleagues to raise awareness of anti-bribery and corruption legislation. The Audit Committee has requested that anti-bribery and corruption safeguards are periodically reviewed by Internal Audit.

### **Corporate governance**

Halfords Group Plc applies the UK Corporate Governance Code 2018. The Code applies directly to the parent company and some 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.

It was agreed that Helen Jones would stay in office until the end of the AGM on 6 September 2023. The Board recognises that as it has assessed that Helen will no longer be regarded as independent for the purpose of the Code, because of her extended tenure, this has created a technical breach of the Code's recommendation that the majority of the Board be independent Non-Executive Directors. However, the Board believes that this short-term situation was justified to ensure that the correct candidate was appointed to the Board in Helen's place. Since the year end Tanvi Gokhale has been appointed to the Board to succeed Helen Jones to become Chair of the ESG Committee and Employee Voice Director, along with being a member of the Remuneration, Audit and Nomination Committees.

### **Wates Principles**

The Company is a wholly-owned subsidiary of Halfords Group Plc and our governance and business decisions are integrated with Halfords Group Plc and its subsidiaries (the Group).

The Group is led by an effective Board, which promotes the long-term success of the Group and engages with its shareholders and stakeholders. The Board has established the Group's purpose, values and strategy and is satisfied that these and its culture are aligned. The Board has established an effective governance and risk framework. The Board has ensured that the workforce is able to raise any matters of concern, and that all policies and practices are consistent with the Group's values.

A comprehensive and tailored induction programme is in place for new Directors joining the Board. The induction programme facilitates their understanding of the Group and the key drivers of the Group's performance.

A rigorous, effective and transparent appointment process is in place, which, together with the effective succession plans, promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Chair leads the Board, which includes an appropriate combination of Executive Directors and Non-Executive Directors.

The Non-Executive Directors provide constructive challenge, strategic guidance and advice and, have sufficient time to meet their Board responsibilities.

There is a clear division of responsibilities between the running of the Board and the running of the business, and the Board has identified certain "reserved matters" that only it can approve. Other matters, responsibilities and authorities have been delegated as appropriate, and there are relevant policies and processes in place for the Board to function effectively and efficiently.

## Strategic Report for the period ended 31 March 2023

The Board has established formal and transparent policies and procedures to ensure the independence and effectiveness of both internal and external audit functions. The Board satisfies itself on the integrity of financial and narrative statements.

The Board presents a fair, balanced and understandable assessment of the Group's position and prospects.

The Board has established procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks of the Group.

The Group has designed the remuneration policies and practices to support strategy and promote long-term sustainable success. The Executive remuneration is aligned to the interests of our parent company and to the Group's purpose and values and is clearly linked to the successful delivery of our long-term strategy.

There is a formal and transparent procedure for developing Executive remuneration policy and determining Director and senior management remuneration.

Directors are able to exercise independent judgement and discretion when authorising remuneration outcomes, taking into account Group and individual performance and wider circumstances.

### Section 172(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 2006 (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 workforce;
- 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 a trading 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 the requirements of s172(1) (a) to (f) of the Companies Act in the current financial year can be found in those consolidated financial statements, key elements of which include:

### Engagement with employees

As part of our listening and engagement strategy, every year we invite all of our colleagues across the Halfords Group to complete a survey. The survey gives our colleagues the opportunity to share how they are feeling about working at Halfords and gives us a measure of how engaged our colleagues are in all areas of the business. The questions cover all aspects of life at Halfords including leadership, development, communication, benefits, collaboration, advocacy, wellbeing, and motivation. We also ask colleagues to tell us in their own words what would make Halfords a better place to work.

In the past few years, over 90% of colleagues have completed the survey enabling us to understand how colleagues are feeling and identify opportunities and focus areas for improvement across the Group. Managers are able to see the results and comments for their teams and take ownership for holding action planning sessions, locally, to address specific areas to improve engagement. Regular communication of action taken, and progress made is shared on our online communication platforms and in Teams huddle events hosted by our Senior Leadership Team.

## Halfords Limited

### Strategic Report for the period ended 31 March 2023

#### Engagement with suppliers, customers and other relationships

##### Customers

We communicate regularly with our customers through digital channels (eg. email, social media) and the Halfords Blog provides customers with more in-depth reports on topics such as electric mobility, ways to save money, competitions and essential information for motorists and cyclists. We also expanded and further developed the Halfords Motoring Club providing customers with a wide range of benefits from discounts in store to free car checks, and accessory fitting. Alongside the Halfords Motoring club strategic investment has also been made in motoring pricing giving customers better value for money.

##### 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 initiatives, recycling initiatives, the promotion of forms of electric mobility and social initiatives, such as the support schemes for ex-prisoners and the introduction of Bike Xchange programme.

##### 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.

##### 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. 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.

## Halfords Limited

### Strategic Report for the period ended 31 March 2023

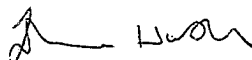
#### Non-financial and sustainability information

##### Environmental matters

We recognise the importance of understanding and managing the climate related risks and opportunities to our business and supply chain. Over the past few years, we have evolved our approach to assessing these risks and opportunities to be consistent with the recommendations set out by the Taskforce on Climate Related Financial Disclosure ("TCFD"). Last year was the first time Halfords Group Plc reported against the TCFD framework and we recognise the importance of continuous improvement as we work hard to mitigate climate-related risk and activate the various opportunities available to us for accelerating transition to a lower carbon economy. The Halfords Group Plc report continues to be compliant with TCFD disclosures and UK listing rules. The full TCFD report is included in the annual report and accounts of Halfords Group Plc.

We are mindful of the impact we have on natural resources and are continually searching for ways to minimise this. We have good heritage when it comes to repair due to the nature of the work we do in our garages. In addition, we have been working hard over the last few years to increase our recycling capabilities, this year introducing wiper blade recycling into nearly 90% of our stores. The Bike Xchange programme we introduced last year has been extremely successful enabling customers to trade-in bikes that would have ended up in landfill or gathering dust in a garage. Our expert technicians will assess, repair and refurbish all second-hand bikes so they are ready for a new owner. For some of these bikes, this means that they will be shared with charity partners who give them a second life, for example by donating to African communities. This whole process is focused on extending the lifetime of products we sell which are already in circulation.

Approved by the Board on 28 September 2023 and signed on its behalf by:



J Hartley  
Director

## Halfords Limited

### Directors' Report for the period ended 31 March 2023

The Directors present their report and the financial statements for the period from 2 April 2022 to 31 March 2023.

#### Directors' of the company

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

G Stapleton

L Woodhouse (resigned 16 June 2022)

K Bellairs

J Hartley (appointed 16 June 2022)

P O'Hara

A Randall (resigned 7 October 2022)

#### 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, alongside regular colleague engagement surveys and listening sessions to make changes as appropriate.

#### Corporate governance

The corporate governance statement has been included within the Strategic Report due to its strategic importance.

#### Future developments

The areas of focus in FY24 are:

- Roll out capital-efficient Fusion investment to a further 50 towns.
- Investment in value through targeted incentives for Halfords Motoring Club, up-weighted promotions and our price promise.
- Continued focus on increasing memberships along with Vehicle Registration Number capture.
- Progressing opportunities to widen the services offered to our Motoring Loyalty Club customers.
- Seeking appropriate opportunities to start monetising our data.

## **Halfords Limited**

### **Directors' Report for the period ended 31 March 2023**

#### **Energy and Carbon reporting**

The Company has taken advantage of the exemption allowed under SECR not to disclose its own Company report, as this information is included within the consolidated energy and carbon reporting disclosure in the ultimate parent company financial statements, Halfords Group Plc.

#### **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.

## Halfords Limited

### Directors' Report for the period ended 31 March 2023

#### 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 31 March 2023, 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. In determining the appropriate basis of preparation of the financial statements for the year ended 31 March 2023, the Group Directors reviewed financial forecasts and projections to 30 June 2024. 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 September 2024 and factors in post year end performance for the purposes of the subsidiary financial statement approvals.

The financial forecasts have been stress tested to determine the required sales decline versus the Going Concern scenario before the covenant conditions were breached. This assessment also included variable and other cost saving measures the Group would employ in this scenario and showed that total sales for the Group would have to reduce by 22.3% annually before the first covenant condition is broken (interest payable to EBITDAR). The cost-of-living crisis means that we are expecting some impact on consumer spending given the pressures on disposable incomes, especially in "non-needs" based spending areas, but do not believe that these external risks would cause a sales reduction of greater than 22.3% in the next 12 months. If sales were to reduce at this level, then further actions could be taken by management to prevent the breach. The key mitigating action would be to halt strategic investment in FY24.

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 4 December 2025, 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.

#### Important non adjusting events after the financial period

The Directors have considered all post year end transactions, information received and events, up to the date these accounts are signed, for anything that may be either an adjusting or non-adjusting post balance sheet event. There was nothing identified requiring adjustment to, or disclosure in the current year financial statements.

## **Halfords Limited**

### **Directors' Report for the period ended 31 March 2023**

#### **Directors' liabilities**

Directors' and Officers' insurance has been established for all Directors and Officers to provide cover against their reasonable actions on behalf of the Company. The Directors of the Company and the Company's subsidiaries also have the benefit of third-party indemnity provisions, as defined by Section 236 of the Companies Act 2006, pursuant to the Company's Articles of Association.

#### **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.

#### **Matters covered in the Strategic Report**

Where necessary, disclosures relating to principal risks & uncertainties and recommended dividend have been made in the Strategic Report and have not been repeated here in accordance with the relevant section of the Companies Act 2006.

## Halfords Limited

### Directors' Report for the period ended 31 March 2023

#### Respect for human rights

In order to support its estate of Retail stores and online operations, the Company sources products from a large number of suppliers both within the UK and overseas. In particular, the international suppliers – managed largely by the Halfords Global Sourcing ("HGS") team based in Hong Kong, Taiwan and Shanghai – are bound contractually by the Company's policies on modern slavery and human trafficking, as detailed within the Global Sourcing Code (the "Sourcing Code").

The Company is committed to ensuring due diligence processes remain robust, and, as such, during the year, the Global Sourcing Code was revised to further strengthen minimum expectations in relation to labour practices, including modern slavery and environmental management. The Sourcing Code supports the Company's commitment to respect human rights and uphold international standards, including the United Nations (UN) Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. The Company has partnered with EcoVadis, a platform which rates the environmental, social and governance performance of suppliers. The output of this data will support due diligence process – and will assess good supplier performance as well as where corrective action, remediation or additional audits may be required.

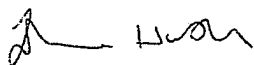
In line with the requirements of the Modern Slavery Act, all colleagues are trained on the issue of modern slavery. During the year, a new e-learning module was launched to support colleagues with their understanding and what they should do if they suspect modern slavery taking place.

The Company is proud to have supported the Freewheel remediation programme with cycle accessories. The programme seeks to empower survivors of modern slavery and human trafficking to cycle to support their physical and mental health, independence, mobility, and their reintegration into society. There are hubs in the West Midlands and in Barking and Dagenham and at each site, the intention is to support recovery for up to 20–30 survivors per year by giving them a bike and accessories, including helmets, locks and lights, providing them with cycling proficiency and road awareness training. Further information on the Freewheel programme can be found on their website <https://rideforfreedom.org.uk/what-we-do/>.

During the year, no concerns were raised regarding any of the Group's suppliers. It is recognised that whilst no incidents were raised (through contractual mechanisms) this does not mean issues do not potentially exist. The Company, therefore, remains committed to further enhancing its approach and understanding and enhancing its due diligence process.

The Group's Board of Directors reviews its Modern Slavery Statement on an annual basis. It was last approved on 7 September 2022.

Approved by the Board on 28 September 2023 and signed on its behalf by:



J Hartley  
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 period. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced disclosure framework", 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; and
- 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 31 March 2023 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 31 March 2023, which comprise the Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 and Financial Statements, 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.

## Halfords Limited

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

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.

#### 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 period 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 the 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.

#### 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.

## Halfords Limited

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

#### *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:

#### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates;
- Discussion with management and those charged with governance, including internal legal counsel; and
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be Companies Act 2006 and the financial reporting standard FRS 101.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Health and Safety at Work Act 1974, UK Employment Law, Data Protection Act, UK tax law including corporate tax, VAT, PAYE and custom duties and the Financial Conduct Authority regulations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of correspondence with the Financial Conduct Authority for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of tax compliance and involvement of our tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred;

#### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, those charged with governance and internal legal counsel regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;

## Halfords Limited

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

- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be:

- Management override of controls - bias in estimates and judgements
- Revenue recognition relating to the judgements and estimates involved in the timing of revenue recognition and possible overstatement of revenue through management bias and manual journals
- Existence and valuation of supplier rebates

Our procedures in respect of the above included, but were not limited to:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of manual journal entries posted to revenue, those with unusual account combinations and journals posted by unexpected users and users with privileged IT access rights;
- Challenging the assumptions and judgements made by management in the measurement of gift card, warranty and returns provisions and the assumptions made in revenue recognition for new revenue streams and deferred revenue by agreeing assumptions to relevant supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, including impairment testing, the measurement of provisions, capitalisation policies for intangible software assets and going concern;
- Confirming a sample of rebates received and year end balances via supplier confirmations and challenging management on the recoverability of year end receivables through assessing post year end debit notes raised and/or cash receipts from suppliers; and
- Challenging management on the methodology applied in calculating material provisions and reviewing any changes made to the basis of these provisions during the year as compared to prior year to confirm the financial impact of the changes and to assess the methodology in the context of the trading patterns during the year and forecasts post year end;

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

55 Baker Street  
London  
W1U 7EU

28 September 2023

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 31 March 2023

|   |    | Before<br>non-<br>underlying<br>items<br>52 weeks<br>to<br>31 March<br>2023<br>£ m | Non-<br>underlying<br>items<br>52 weeks<br>to<br>31 March<br>2023<br>£ m | Total<br>52<br>weeks<br>to<br>31<br>March<br>2023<br>£ m | Before<br>non-<br>underlying<br>items<br>52 weeks<br>to<br>1 April<br>2022<br>£ m | Non-<br>underlying<br>items<br>52 weeks<br>to<br>1 April<br>2022<br>£ m | Total<br>52<br>weeks<br>to<br>1 April<br>2022<br>£ m |
|---|----|--|--|--|---|---|--|
| <b>Turnover</b>   | 3  | 932.3  | -  | 932.3  | 948.5   | -   | 948.5  |
| <b>Cost of sales</b>  |    | <u>(473.0)</u>   | -  | <u>(473.0)</u>   | <u>(456.5)</u>  | -   | <u>(456.5)</u>                                       |
| <b>Gross profit</b>   |    | 459.3  | -  | 459.3  | 492.0   | -   | 492.0  |
| <b>Distribution costs</b>                                   |    | (297.1)  | -  | (297.1)  | (302.4)   | -   | (302.4)  |
| <b>Administrative expenses</b>                              |    | <u>(105.5)</u>   | <u>(0.7)</u>   | <u>(106.2)</u>   | <u>(102.6)</u>  | <u>8.9</u>  | <u>(93.7)</u>  |
| <b>Operating profit/(loss)</b>                              | 4  | 56.7   | (0.7)  | 56.0   | 87.0  | 8.9   | 95.9   |
| <b>Interest payable and similar charges</b>                 | 9  | (6.3)  | -  | (6.3)  | (7.2)   | -   | (7.2)  |
| <b>Finance income</b>                                       | 8  | <u>4.4</u>   | -  | <u>4.4</u>   | <u>2.8</u>  | -   | <u>2.8</u>   |
| <b>Profit/(loss) on ordinary activities before taxation</b> |    | 54.8   | (0.7)  | 54.1   | 82.6  | 8.9   | 91.5   |
| <b>Tax on profit/(loss) on ordinary activities</b>          | 10 | <u>(9.5)</u>   | <u>0.1</u>   | <u>(9.4)</u>   | <u>(14.5)</u>   | <u>(1.7)</u>  | <u>(16.2)</u>  |
| <b>Profit/(loss) for the period</b>                         |    | <u>45.3</u>  | <u>(0.6)</u>   | <u>44.7</u>  | <u>68.1</u>   | <u>7.2</u>  | <u>75.3</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 29 to 66 form part of these financial statements.

## Halfords Limited

### Statement of Comprehensive Income for the 52 week period ended 31 March 2023

|   | 52 weeks to<br>31 March<br>2023<br>£ m | 52 weeks to<br>1 April<br>2022<br>£ m |
|---|--|---------------------------------------|
| <b>Profit for the period</b>  | <b>44.7</b>                            | <b>75.3</b>                           |
| Cash flow hedges:   |  |                                       |
| Fair value changes in the period                                    | 2.6                                    | 6.4                                   |
| Deferred income tax on other comprehensive income                   | <u>1.1</u>                             | <u>(1.3)</u>                          |
| <b>Other comprehensive income for the period, net of income tax</b> | <b><u>3.7</u></b>                      | <b><u>5.1</u></b>                     |
| <b>Total comprehensive income for the period</b>                    | <b><u>48.4</u></b>                     | <b><u>80.4</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 29 to 66 form part of these financial statements.

## Halfords Limited

### Balance Sheet as at 31 March 2023

(Registration number: 00103161)

|   | Note | 31 March<br>2023<br>£ m | 1 April<br>2022<br>£ m |
|---|------|-------------------------|------------------------|
| <b>Non-current assets</b>                               |      |                         |                        |
| Intangible assets                                       | 12   | 34.7                    | 28.9                   |
| Tangible assets   | 11   | 44.6                    | 54.5                   |
| Right of use assets                                     | 13   | 177.2                   | 208.8                  |
| Investments   | 14   | 0.1                     | 0.1                    |
| Deferred tax assets                                     | 10   | 9.9                     | 13.2                   |
|   |      | <u>266.5</u>            | <u>305.5</u>           |
| <b>Current assets</b>                                   |      |                         |                        |
| Stocks  | 15   | 190.2                   | 182.8                  |
| Debtors: amounts falling due within one year            | 16   | 495.3                   | 416.8                  |
| Derivative financial instruments                        |      | 1.1                     | 4.2                    |
| Cash at bank and in hand                                |      | 22.7                    | 39.2                   |
|   |      | <u>709.3</u>            | <u>643.0</u>           |
| <b>Current Liabilities</b>                              |      |                         |                        |
| Creditors: amounts falling due within one year          | 17   | (317.8)                 | (291.5)                |
| Derivative financial instruments                        |      | (3.7)                   | (0.5)                  |
| Provisions for liabilities and charges                  | 18   | (8.0)                   | (14.8)                 |
|   |      | <u>(329.5)</u>          | <u>(306.8)</u>         |
| <b>Net current assets</b>                               |      | <u>379.8</u>            | <u>336.2</u>           |
| <b>Total assets less current liabilities</b>            |      | <b>646.3</b>            | <b>641.7</b>           |
| <b>Non-current liabilities</b>                          |      |                         |                        |
| Creditors: amounts falling due after more than one year | 17   | (162.0)                 | (204.9)                |
| Derivative financial instruments                        |      | (0.4)                   | -                      |
| Provisions for liabilities and charges                  | 18   | (9.0)                   | (5.3)                  |
|   |      | <u>474.9</u>            | <u>431.5</u>           |
| <b>Net assets</b>                                       |      | <u>474.9</u>            | <u>431.5</u>           |
| <b>Capital and reserves</b>                             |      |                         |                        |
| Called up share capital                                 | 19   | 120.2                   | 120.2                  |
| Capital contribution reserve                            | 20   | 27.0                    | 27.0                   |
| Hedging reserve   | 20   | (1.4)                   | 1.8                    |
| Profit and loss account                                 | 20   | 329.1                   | 282.5                  |
| <b>Shareholders' funds</b>                              |      | <u>474.9</u>            | <u>431.5</u>           |

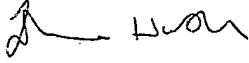
The notes on pages 29 to 66 form part of these financial statements.

**Halfords Limited**

**Balance Sheet as at 31 March 2023**

(Registration number: 00103161)

Approved by the Board on 28 September 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J Hartley', is written above the printed name.

J Hartley  
Director

## Halfords Limited

### Statement of Changes in Equity for the 52 week period ended 31 March 2023

|   | Share capital<br>£ m | Capital<br>contribution<br>reserve<br>£ m | Cash flow<br>hedging<br>reserve<br>£ m | Retained<br>earnings<br>£ m | Total<br>£ m |
|---|----------------------|---|--|-----------------------------|--------------|
| At 3 April 2021   | 120.2                | -   | (1.8)                                  | 705.5                       | 823.9        |
| Profit for the period   | -                    | -   | -                                      | 75.3                        | 75.3         |
| Fair value changes in the period                              | -                    | -   | 6.4                                    | -                           | 6.4          |
| Deferred income tax on other comprehensive income             | -                    | -   | (1.3)                                  | -                           | (1.3)        |
| <b>Total comprehensive income</b>                             | -                    | -   | <b>5.1</b>                             | <b>75.3</b>                 | <b>80.4</b>  |
| Hedging gains and losses transferred to the cost of inventory | -                    | -   | (1.5)                                  | -                           | (1.5)        |
| Income tax on share-based payment transactions                | -                    | -   | -                                      | 0.4                         | 0.4          |
| Share-based payment transactions                              | -                    | -   | -                                      | 7.8                         | 7.8          |
| Capital contribution*   | -                    | 27.0                                      | -                                      | -                           | 27.0         |
| Distribution*   | -                    | -   | -                                      | (506.5)                     | (506.5)      |
| <b>At 1 April 2022</b>  | <b>120.2</b>         | <b>27.0</b>                               | <b>1.8</b>                             | <b>282.5</b>                | <b>431.5</b> |

## Halfords Limited

### Statement of Changes in Equity for the 52 week period ended 31 March 2023

|   | Share capital<br>£ m | Capital<br>contribution<br>reserve<br>£ m | Cash flow<br>hedging<br>reserve<br>£ m | Retained<br>earnings<br>£ m | Total<br>£ m |
|---|----------------------|---|--|-----------------------------|--------------|
| At 2 April 2022   | 120.2                | 27.0                                      | 1.8                                    | 282.5                       | 431.5        |
| Profit for the period   | -                    | -   | -                                      | 44.7                        | 44.7         |
| Fair value changes in the period                              | -                    | -   | 2.6                                    | -                           | 2.6          |
| Deferred income tax on other comprehensive income             | -                    | -   | 1.1                                    | -                           | 1.1          |
| <b>Total comprehensive income</b>                             | -                    | -   | 3.7                                    | 44.7                        | 48.4         |
| Hedging gains and losses transferred to the cost of inventory | -                    | -   | (6.9)                                  | -                           | (6.9)        |
| Income tax on share-based payment transactions                | -                    | -   | -                                      | (0.5)                       | (0.5)        |
| Share-based payment transactions                              | -                    | -   | -                                      | 2.4                         | 2.4          |
| <b>At 31 March 2023</b>                                       | <b>120.2</b>         | <b>27.0</b>                               | <b>(1.4)</b>                           | <b>329.1</b>                | <b>474.9</b> |

\*transactions arose as a result of a reorganisation of the Group in the period, refer to Note 23 for further details

The notes on pages 29 to 66 form part of these financial statements.

**Notes to the Financial Statements  
for the period ended 31 March 2023****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 private limited company incorporated and domiciled in England & Wales. The address of its registered office is Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE.

The Company is engaged in the retailing of automotive, leisure and cycling products and services through retail stores and online.

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.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

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.

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.

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 goods 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 31 March 2023, whilst the comparative period covered the 52 weeks to 1 April 2022.

**Notes to the Financial Statements  
for the period ended 31 March 2023**Notes to the financial statements  
for the period ended 31 March 2023**1 Accounting policies (continued)****Summary of disclosure exemptions**

In these financial statements, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 - 'Share-based payments' (how the fair value of goods/services received or equity instruments granted was determined and details of the number and weighted average exercise prices of share options).
- IFRS 7 - 'Financial instruments: Disclosures'.
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment' (reconciliations between the carrying amount at the beginning and end of the period)
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- IAS 7 - 'Statement of cash flows'.
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation).

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 1 Accounting policies (continued)

##### 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 31 March 2023, 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. In determining the appropriate basis of preparation of the financial statements for the year ended 31 March 2023, the Group Directors reviewed financial forecasts and projections to 30 June 2024. 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 September 2024 and factors in post year end performance for the purposes of the subsidiary financial statement approvals.

The financial forecasts have been stress tested to determine the required sales decline versus the Going Concern scenario before the covenant conditions were breached. This assessment also included variable and other cost saving measures the Group would employ in this scenario and showed that total sales for the Group would have to reduce by 22.3% annually before the first covenant condition is broken (interest payable to EBITDAR). The cost-of-living crisis means that we are expecting some impact on consumer spending given the pressures on disposable incomes, especially in "non-needs" based spending areas, but do not believe that these external risks would cause a sales reduction of greater than 22.3% in the next 12 months. If sales were to reduce at this level, then further actions could be taken by management to prevent the breach. The key mitigating action would be to halt strategic investment in FY24.

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 4 December 2025, 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.

**Notes to the Financial Statements  
for the period ended 31 March 2023**

**1 Accounting policies (continued)**

**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, and associated services. The table below summarises the revenue recognition policies for different categories of products and services offered by the Company.

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

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 1 Accounting policies (continued)

| Products and services   | Nature, timing and satisfaction of performance obligations and significant payment terms  |
|---|---|
| Automotive, leisure and cycling products, fitting and repair operations | <p>The majority (both value and volume) of the Group's sales are for standalone products and services made direct to customers at standard prices, either in store or online. In these cases, all performance obligations are satisfied, and revenue recognised, when the product or service is transferred to the customer.</p> <p>In the case of Cycle to Work, a letter of collection ("LOC") is issued when payment is received but the balance will be held on the Balance Sheet until the product or service has been transferred to the customer, at which point revenue is recognised. Deferred income of unredeemed vouchers is released based on historic redemption rates. An LOC can also be redeemed by customers through a network of independent bike dealers, who invoice the Group for the value of the LOC, at which point the revenue is recognised.</p>   |
| Loyalty scheme  | <p>The Group launched its Loyalty Scheme in March 2022, with revenue being recognised when the individual benefits associated to club membership are expected to be incurred. Any breakages are recognised at the end of the membership period.</p>   |
| Service and repair plans  | <p>The Group offers various service and repair plans to customers. The Group recognises revenue on these on a straight-line basis over the period of the plan and any discounts at the point of sale. The performance obligation of the Group, being the level of service and repair offered with the plan, will be the period of the plan and, therefore, revenue should be recognised over this period. The product is paid for on commencement of the plan, and deferred income is held within trade and other payables.</p>   |
| Product warranties  | <p>Certain products, principally motoring and cycling, have a warranty period attached, which is built into the price of the product rather than being sold separately as an incremental purchase. The warranty element has been identified as a separate performance obligation to the sale of the product, and, given it is not sold separately, a transaction price has been allocated for the warranty element based on the expected cost approach. This element of revenue is recognised on a straight-line basis over the period of the plan. The performance obligation of the Group, being the rectification of faults on products sold, will be the period over which the customer can exercise their rights under the warranty and, therefore, revenue should be recognised over this period. The full price of the product is paid for on commencement of the warranty, and deferred income is held within trade and other payables.</p> |

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 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 historic redemption rates.

##### 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 the 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 intercompany loans provided. 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 31 March 2023

#### 1 Accounting policies (continued)

##### Foreign currency transactions and balances

The Company's functional and presentational currency is pounds sterling, which is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest million.

Transactions and balances 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

Tax is recognised in profit or loss, except that a charge 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.

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

## Notes to the Financial Statements for the period ended 31 March 2023

### 1 Accounting policies (continued)

#### Tax (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   |

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 1 Accounting policies (continued)

##### 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.

Where the Company controls software relating to Software as a Service ("SaaS") arrangements, configuration and customisation costs are capitalised as part of bringing the identified intangible asset into use. Where the Company does not have control of the software the costs are expensed over the SaaS contract term if the related configuration and customisation costs are not distinct from access to the software. In all other circumstances, configuration and customisation costs are recognised as an expense as incurred except in the limited instances where these costs result in a separately identifiable intangible asset. Under the new IFRIC guidance for the recognition of SaaS arrangements, where software is deemed to fall under the IAS 38 definition of a SaaS arrangement, the costs will be expensed to the profit or loss account.

##### 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 1 Accounting policies (continued)

##### 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 a 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 31 March 2023

#### 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 31 March 2023

#### 1 Accounting policies (continued)

##### Leases (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.

## Notes to the Financial Statements for the period ended 31 March 2023

### 1 Accounting policies (continued)

#### Leases (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 renegotiation 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; and
- 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 or 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 operating income 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.

## Notes to the Financial Statements for the period ended 31 March 2023

### 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.

## Notes to the Financial Statements for the period ended 31 March 2023

### 1 Accounting policies (continued)

#### Financial instruments (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. |

## Notes to the Financial Statements for the period ended 31 March 2023

### 1 Accounting policies (continued)

#### Financial instruments (continued)

##### 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.

#### 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.

**Notes to the Financial Statements  
for the period ended 31 March 2023****1 Accounting policies (continued)****Financial instruments (continued)  
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.

Evidence that the financial asset is credit-impaired include the following:

- significant financial difficulties of the borrower or issuer;
- a breach of contract such as default or past due event;
- the restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the security because of financial difficulties; and
- there is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

**Notes to the Financial Statements  
for the period ended 31 March 2023**

Notes to the Financial Statements  
for the period ended 31 March 2023

**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:

**Notes to the Financial Statements  
for the period ended 31 March 2023**

Company Name: Halfords Limited  
Registered Office: Halfords Limited, 100, The Quadrant, Leamington Spa, Warwickshire, CV32 3DF, United Kingdom

**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.

**Capitalisation of internal costs**

Where a project is deemed to meet the requirements of IAS 38, the Company capitalises material internal costs using a blended rate on the basis of time recorded against projects. This is calculated using actual salaries of relevant colleagues during the current year.

**Recoverability of intercompany balances**

Intercompany receivables 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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

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

##### Lease terms and incremental borrowing rate

Under IFRS 16, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, adjusted to take into account the risk associated with the length of the lease, which ranges between 1 and 25 years, and the location of the lease. The Group has, therefore, made a judgement to determine the incremental borrowing rate used. The weighted average incremental borrowing rate in FY22 was 2.34%. Halfords reviewed the incremental borrowing rate against the property yields to ensure the rates move appropriately against the weighted average reference rate for UK properties and concluded the rates appear reasonable.

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

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

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

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

#### 3 Turnover

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

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 4 Operating profit

|   | <b>52 weeks to<br/>31 March<br/>2023<br/>£m</b> | <b>52 weeks to<br/>1 April 2022<br/>£m</b> |
|---|---|--|
| <b>Operating profit shown is arrived at after charging/(crediting):</b> |   |  |
| Lease rentals in relation to short-term or low value leases             | 4.2   | 4.1  |
| Rentals receivable under operating leases                               | (2.6)   | (2.5)                                      |
| Landlord surrender premiums   | (0.8)   | (0.5)                                      |
| Amortisation of right-of-use assets                                     | 51.5  | 53.5                                       |
| Amortisation of intangible assets                                       | 10.7  | 10.1                                       |
| Impairment of tangible assets   | -   | (0.6)                                      |
| Depreciation of tangible assets   | 16.7  | 13.4                                       |
| Reversal of impairment of right-of-use assets                           | (2.3)   | -  |
| Loss on disposal of fixed assets  | 1.7   | 1.8  |
| Cost of inventories consumed in cost of sales                           | 454.2   | 437.9                                      |

The total fees in relation to the audit of Halfords Limited and other group companies for which Halfords Limited has borne the cost was £1.2m (2022: £0.8m) payable to BDO LLP and their associates during the period.

|  | <b>52 weeks to<br/>31 March<br/>2023<br/>£m</b> | <b>52 weeks to<br/>1 April<br/>2022<br/>£m</b> |
|--|---|--|
| Fees payable for the audit of the Company's accounts | 0.3   | 0.2  |

#### 5 Staff costs

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

|                     | <b>52 weeks to<br/>31 March<br/>2023<br/>Number</b> | <b>52 weeks to<br/>1 April 2022<br/>Number</b> |
|---------------------|---|--|
| Stores              | 6,020   | 6,159  |
| Support Centre      | 911   | 853  |
| Central Warehousing | 519   | 510  |
|                     | <b>7,450</b>  | <b>7,522</b>                                   |

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 5 Staff costs (continued)

The aggregated payroll cost was as follows:

|   | <b>52 weeks to<br/>31 March<br/>2023<br/>£m</b> | <b>52 weeks to<br/>1 April 2022*<br/>£m</b> |
|---|---|---|
| Wages and salaries                            | 160.6   | 163.4                                       |
| Social security costs                         | 13.3  | 13.3  |
| Share-based payment charge                    | 2.4   | 7.8   |
| Other pension costs (see note 21)             | 4.2   | 3.8   |
| Redundancies included in non-underlying items | 1.9   | 0.3   |
|   | <b><u>182.4</u></b>                             | <b><u>188.6</u></b>                         |

\*Prior period restated - See Note 26 for details.

Staff costs recognised within Intangible asset additions in the period totalled £3.5m (2022: £4.3m).

#### 6 Directors' remuneration

The directors' remuneration for the period was as follows:

|  | <b>52 weeks to<br/>31 March<br/>2023<br/>£ m</b> | <b>52 weeks to<br/>1 April 2022<br/>£ m</b> |
|--|--|---|
| Directors emoluments for services to the Company | 3.1  | 5.8   |
| Aggregate value of pension contributions         | 0.1  | 0.2   |
| Share based payments                             | 2.4  | 3.7   |
|  | <b><u>5.6</u></b>                                | <b><u>9.7</u></b>                           |

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

|   | <b>52 weeks to<br/>31 March<br/>2023<br/>No.</b> | <b>52 weeks to<br/>1 April 2022<br/>No.</b> |
|---|--|---|
| Number of Directors who received contributions to personal pension plans and share incentives | <u>5</u>   | <u>5</u>                                    |

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 6 Directors' remuneration (continued)

In respect of the highest paid director:

|   | 52 weeks to<br>31 March<br>2023<br>£ m | 52 weeks to<br>1 April<br>2022<br>£ m |
|---|--|---------------------------------------|
| Remuneration  | 1.2                                    | 3.2                                   |
| Company contributions to money purchase pension schemes | 0.1                                    | 0.1                                   |

During the period the highest paid director exercised share options and also received or was entitled to receive shares under a long term incentive scheme.

#### 7 Non-underlying items

|  | 52 weeks to<br>31 March<br>2023<br>£m | 52 weeks to<br>1 April 2022<br>£m |
|--|---------------------------------------|-----------------------------------|
| <b>Non-underlying operating costs:</b>         |                                       |                                   |
| Organisational restructure costs (a)           | 2.4                                   | 0.3                               |
| One-off claims (b)                             | -                                     | (2.2)                             |
| Closure costs (c)                              | (3.4)                                 | (7.8)                             |
| Replacement of warehouse management system (d) | 1.7                                   | 0.8                               |
| <b>Non-underlying items before tax</b>         | <b>0.7</b>                            | <b>(8.9)</b>                      |
| Tax on non-recurring items                     | (0.1)                                 | 1.7                               |
| <b>Non-underlying items after tax</b>          | <b>0.6</b>                            | <b>(7.2)</b>                      |

(a) In the current and prior period, separate and unrelated organisational restructuring activities were undertaken. In FY22, a strategic redesign of the in-store operating model was undertaken to better meet our customers' expectations and deliver a consistent shopping experience across our estate. In FY23, the group have undertaken a restructure of the support centre.

Costs in relation to the organisational restructuring activities are made up of: redundancy costs of £1.9m (PY: £0.3m), £0.3m (PY: £nil) relating to our master data management system and £0.2m of strategic costs. These costs are not part of recurring business and therefore, have been deemed non-underlying expenses.

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

**Notes to the Financial Statements  
for the period ended 31 March 2023**

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

(c) During FY20 and FY21 the group completed a strategic review of the profitability of the physical estate and subsequently closed a number of stores. Assets were impaired and costs associated with the ongoing onerous commitments under the lease agreements and other costs associated with the property exits were provided for accordingly. In the current period £3.4m (2022: £7.8m release) of provisions and lease liabilities have been released as the group continues to negotiate lease disposals and review provisions held in place. At the year end property provisions carried forward included an amount of £5.2m in relation to these store closures. These will continue to unwind as property exits are negotiated with landlords or tenants, and could result in further amounts being released to the income statement due to the significant estimation uncertainty over the timing of exits and the final negotiated settlements.

(d) An additional balance of £1.7m (PY: £0.8m) was incurred during the current period as a result of the replacement of the Warehouse Management System. Under IFRIC guidance in regards to IAS 38 this can not be capitalised and therefore, owing to the nature of this cost (non-trading cost), this is disclosed as a non-underlying expense.

**8 Finance income**

|   | <b>52 weeks to<br/>31 March<br/>2023<br/>£ m</b> | <b>52 weeks to<br/>1 April 2022<br/>£ m</b> |
|---|--|---|
| Interest on loans to group undertakings | <u>4.4</u>                                       | <u>2.8</u>                                  |

**9 Interest payable and similar charges**

|  | <b>52 weeks to<br/>31 March<br/>2023<br/>£ m</b> | <b>52 weeks to<br/>1 April 2022<br/>£ m</b> |
|--|--|---|
| Interest expense (Interest expense on lease liabilities £6.1m (FY22: £7.2m)) | <u>6.3</u>                                       | <u>7.2</u>                                  |

**10 Income tax**

Tax charged in the statement of profit or loss

|   | <b>52 weeks to<br/>31 March<br/>2023<br/>£ m</b> | <b>52 weeks to<br/>1 April 2022<br/>£ m</b> |
|---|--|---|
| <b>Current taxation</b>                                 |  |   |
| UK corporation tax                                      | 6.3  | 15.7  |
| UK corporation tax adjustment relating to prior periods | <u>(0.8)</u>                                     | <u>1.2</u>                                  |
| <b>Total current income tax charge</b>                  | <u><b>5.5</b></u>                                | <u><b>16.9</b></u>                          |

**Notes to the Financial Statements  
for the period ended 31 March 2023**

Notes to the Financial Statements for the period ended 31 March 2023  
are set out on pages 53 to 63.

**10 Income tax (continued)**

|  | <b>52 weeks to<br/>31 March<br/>2023<br/>£ m</b> | <b>52 weeks to<br/>1 April 2022<br/>£ m</b> |
|--|--|---|
| <b>Deferred taxation</b>                                       |  |   |
| Arising from origination and reversal of temporary differences | 0.6  | 2.0   |
| Arising from changes in tax rates and laws                     | 0.3  | (2.6)                                       |
| Adjustment in respect of prior period                          | 3.0  | (0.1)                                       |
| <b>Total deferred taxation charge/(credit)</b>                 | <b>3.9</b>                                       | <b>(0.7)</b>                                |
| <b>Tax expense in the statement of profit or loss</b>          | <b>9.4</b>                                       | <b>16.2</b>                                 |

In addition to the above a £0.5m deferred tax charge (2022: £0.4m credit) is recognised in reserves in relation to employee share options.

A further £1.1m tax expense (2022: £1.3m) 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:

|   | <b>52 weeks to<br/>31 March<br/>2023<br/>£ m</b> | <b>52 weeks to<br/>1 April<br/>2022<br/>£ m</b> |
|---|--|---|
| <b>Profit before tax</b>  | <b>54.1</b>                                      | <b>91.5</b>                                     |
| <b>Corporation tax at standard rate - 19% (2022: 19%)</b>       | <b>10.3</b>                                      | <b>17.4</b>                                     |
| Current and deferred tax adjustment for prior periods           | 2.2  | 1.1   |
| Effect of non-qualifying depreciation                           | 0.4  | 0.1   |
| Effect of change in tax rates                                   | -  | (2.6)   |
| Effect of expenses not deductible in determining taxable profit | 0.1  | 0.4   |
| Share based payments  | -  | 1.2   |
| Group relief not paid for                                       | (3.4)  | (0.8)   |
| Effect of super deduction for capital allowances                | (0.2)  | (0.6)   |
| <b>Total tax charge</b>   | <b>9.4</b>                                       | <b>16.2</b>                                     |

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.

**Notes to the Financial Statements  
for the period ended 31 March 2023**

**10 Income tax (continued)**

**Deferred tax**

Deferred tax movement during the period:

|   | At 2 April<br>2022<br>£ m | Recognised<br>in profit<br>and loss<br>£ m | Recognised<br>in OCI<br>£ m | Recognised<br>in equity<br>£ m | At<br>31 March<br>2023<br>£ m |
|---|---------------------------|--|-----------------------------|--------------------------------|-------------------------------|
| Depreciation expensed<br>in excess of capital<br>allowances claimed | 4.4                       | (1.7)                                      | -                           | -                              | 2.7                           |
| Impact on adoption of<br>IFRS 16                                    | 5.1                       | (1.6)                                      | -                           | -                              | 3.5                           |
| Other temporary<br>differences                                      | <u>3.7</u>                | <u>(0.6)</u>                               | <u>1.1</u>                  | <u>(0.5)</u>                   | <u>3.7</u>                    |
|   | <u><b>13.2</b></u>        | <u><b>(3.9)</b></u>                        | <u><b>1.1</b></u>           | <u><b>(0.5)</b></u>            | <u><b>9.9</b></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.

An increase to the main rate of corporation tax to 25% from 1 April 2023 was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 31 March 2023 has been calculated based on the rate of 25% substantively enacted at the balance sheet date.

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 11 Tangible assets

|                          | Land and<br>buildings<br>£ m | Furniture,<br>fittings and<br>equipment<br>£ m | Total<br>£ m |
|--------------------------|------------------------------|--|--------------|
| <b>Cost or valuation</b> |                              |  |              |
| At 2 April 2022          | 39.2                         | 254.3  | 293.5        |
| Additions                | -                            | 6.8  | 6.8          |
| Disposals                | (0.3)                        | (2.5)  | (2.8)        |
| <b>At 31 March 2023</b>  | <b>38.9</b>                  | <b>258.6</b>                                   | <b>297.5</b> |
| <b>Depreciation</b>      |                              |  |              |
| At 2 April 2022          | 34.5                         | 204.5  | 239.0        |
| Charge for the period    | 1.6                          | 15.1   | 16.7         |
| Eliminated on disposal   | (0.3)                        | (2.5)  | (2.8)        |
| <b>At 31 March 2023</b>  | <b>35.8</b>                  | <b>217.1</b>                                   | <b>252.9</b> |
| <b>Carrying amount</b>   |                              |  |              |
| <b>At 31 March 2023</b>  | <b>3.1</b>                   | <b>41.5</b>                                    | <b>44.6</b>  |
| <b>At 1 April 2022</b>   | <b>4.7</b>                   | <b>49.8</b>                                    | <b>54.5</b>  |

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 12 Intangible assets

|                          | <b>Computer<br/>Software<br/>£ m</b> |
|--------------------------|--------------------------------------|
| <b>Cost or valuation</b> |                                      |
| At 2 April 2022          | 92.4                                 |
| Additions                | 16.5                                 |
| <b>At 31 March 2023</b>  | <b>108.9</b>                         |
| <b>Amortisation</b>      |                                      |
| At 2 April 2022          | 63.5                                 |
| Charge for period        | 10.7                                 |
| <b>At 31 March 2023</b>  | <b>74.2</b>                          |
| <b>Carrying amount</b>   |                                      |
| <b>At 31 March 2023</b>  | <b>34.7</b>                          |
| <b>At 1 April 2022</b>   | <b>28.9</b>                          |

#### 13 Leases

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

##### Right-of-use assets

|                                      | <b>Land and<br/>buildings<br/>£ m</b> | <b>Equipment<br/>£ m</b> | <b>Total<br/>£m</b> |
|--------------------------------------|---------------------------------------|--------------------------|---------------------|
| At 2 April 2022                      | 208.4                                 | 0.4                      | 208.8               |
| Reclassification                     | (0.5)                                 | 0.5                      | -                   |
| Additions to right-of-use assets     | 16.2                                  | 1.0                      | 17.2                |
| Amortisation charge for the year     | (51.1)                                | (0.4)                    | (51.5)              |
| Effect of modification of lease      | 0.7                                   | -                        | 0.7                 |
| Derecognition of right-of-use assets | (0.3)                                 | -                        | (0.3)               |
| Impairment                           | 2.3                                   | -                        | 2.3                 |
| <b>At 31 March 2023</b>              | <b>175.7</b>                          | <b>1.5</b>               | <b>177.2</b>        |

**Notes to the Financial Statements  
for the period ended 31 March 2023**

**13 Leases (continued)**

**Lease liabilities**

|                                  | <b>Land and<br/>buildings<br/>£ m</b> | <b>Equipment<br/>£ m</b> | <b>Total<br/>£m</b> |
|----------------------------------|---------------------------------------|--------------------------|---------------------|
| At 2 April 2022                  | 258.3                                 | 0.6                      | 258.9               |
| Reclassification                 | (0.3)                                 | 0.3                      | -                   |
| Additions to lease liabilities   | 15.4                                  | 1.0                      | 16.4                |
| Interest expense                 | 6.1                                   | -                        | 6.1                 |
| Effect of modification of leases | 0.7                                   | -                        | 0.7                 |
| Lease payments                   | (66.0)                                | (0.5)                    | (66.5)              |
| Foreign exchange movements       | 0.5                                   | -                        | 0.5                 |
| Disposal of lease liabilities    | (0.7)                                 | -                        | (0.7)               |
| <b>At 31 March 2023</b>          | <b><u>214.0</u></b>                   | <b><u>1.4</u></b>        | <b><u>215.4</u></b> |

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

|                         |                       |
|-------------------------|-----------------------|
| Current liabilities     | (56.9)                |
| Non-current liabilities | <u>(158.5)</u>        |
| <b>At 31 March 2023</b> | <b><u>(215.4)</u></b> |

**Notes to the Financial Statements  
for the period ended 31 March 2023**

**13 Leases (continued)**

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

|   | <b>31 March<br/>2023<br/>£ m</b> | <b>1 April<br/>2022<br/>£ m</b> |
|---|----------------------------------|---------------------------------|
| Less than one year                            | 61.8                             | 63.5                            |
| 2 years                                       | 57.6                             | 61.1                            |
| 3 years                                       | 46.3                             | 53.6                            |
| 4 years                                       | 28.8                             | 42.1                            |
| 5 years                                       | 17.6                             | 25.4                            |
| 6 years                                       | 9.1                              | 15.5                            |
| 7 years                                       | 4.1                              | 8.3                             |
| 8 years                                       | 2.7                              | 3.5                             |
| 9 years                                       | 1.7                              | 2.3                             |
| 10 years                                      | 0.4                              | 1.2                             |
| Between 10 to 15 years                        | -                                | 0.2                             |
| <b>Total lease liabilities (undiscounted)</b> | <b><u>230.1</u></b>              | <b><u>276.7</u></b>             |

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

|  | <b>Land and<br/>buildings<br/>£ m</b> | <b>Equipment<br/>£ m</b> | <b>Total<br/>£m</b> |
|--|---------------------------------------|--------------------------|---------------------|
| Depreciation charge on right-of-use assets | 51.1                                  | 0.4                      | 51.5                |
| Interest on lease liabilities              | 6.1                                   | -                        | 6.1                 |
|  | <b><u>57.2</u></b>                    | <b><u>0.4</u></b>        | <b><u>57.6</u></b>  |

**Notes to the Financial Statements  
for the period ended 31 March 2023**

Halfords Limited (the Company) is a public limited company registered in England and Wales. The registered office of the Company is at Halfords House, 100, High Street, Lutterworth, Leicestershire, LE15 9JG.

**14 Investments**

| <b>Subsidiaries</b>     | <b>£ m</b>        |
|-------------------------|-------------------|
| <b>Cost</b>             |                   |
| At 1 April 2022         | <u>0.1</u>        |
| <b>At 31 March 2023</b> | <u><u>0.1</u></u> |

Details of the subsidiaries as at 31 March 2023 are as follows:

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

**15 Stock**

|                                     | <b>31 March<br/>2023<br/>£ m</b> | <b>1 April<br/>2022<br/>£ m</b> |
|-------------------------------------|----------------------------------|---------------------------------|
| Finished goods and goods for resale | <u>190.2</u>                     | <u>182.8</u>                    |

Goods bought for retail recognised as a cost of sale amounted to £454.2m (2022: £437.9m).

Finished goods inventories include £12.3m (2022: £16.3m) of provisions to carry inventories at net realisable value where such value is lower than cost. During the period £3.4m of inventory provisions were released (2022: £1.4m).

**Notes to the Financial Statements  
for the period ended 31 March 2023**

Halfords Group Financial Statements  
for the period ended 31 March 2023

**16 Debtors**

|                                     | <b>31 March<br/>2023</b> | <b>1 April<br/>2022*</b> |
|-------------------------------------|--------------------------|--------------------------|
|                                     | <b>£ m</b>               | <b>£ m</b>               |
| <b>Falling due within one year:</b> |                          |                          |
| Trade debtors                       | 4.6                      | 11.1                     |
| Amounts owed by group undertakings  | 444.9                    | 376.5                    |
| Accrued income                      | 14.8                     | 11.1                     |
| Prepayments                         | 10.9                     | 8.8                      |
| Other debtors                       | 20.1                     | 9.3                      |
|                                     | <u>495.3</u>             | <u>416.8</u>             |

\*Prior period restated - See Note 26 for details.

Loan amounts owed by Group undertakings bear interest at market rates based on SONIA plus a margin. Loan amounts owed by Group undertakings have been assessed in line with IFRS9 and as at 31 March 2023 and 2 April 2022 the impact of expected credit losses on these balances were assessed to be immaterial and as such no provision has been made.

All amounts owed by group undertakings are repayable on demand however, of the amounts above £410.9m is not expected to be repaid within 12 months of the balance sheet date.

**17 Creditors**

|  | <b>31 March<br/>2023</b> | <b>1 April<br/>2022</b> |
|--|--------------------------|-------------------------|
|  | <b>£ m</b>               | <b>£ m</b>              |
| <b>Amounts falling due within one year</b> |                          |                         |
| Bank overdrafts                            | 8.5                      | -                       |
| Trade creditors                            | 138.7                    | 113.2                   |
| Accruals and deferred income               | 45.8                     | 59.2                    |
| Amounts due to group undertakings          | 26.5                     | 24.3                    |
| Social security and other taxes            | 23.8                     | 25.2                    |
| Other creditors                            | 8.4                      | 7.5                     |
| Lease liabilities                          | 56.9                     | 57.6                    |
| Income tax liability                       | 9.2                      | 4.5                     |
|  | <u>317.8</u>             | <u>291.5</u>            |

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 17 Creditors (continued)

|   | <b>31 March<br/>2023<br/>£ m</b> | <b>1 April<br/>2022<br/>£ m</b> |
|---|----------------------------------|---------------------------------|
| <b>Amounts falling due after more than one year</b> |                                  |                                 |
| Lease liabilities                                   | 158.5                            | 201.3                           |
| Accruals and deferred income                        | 3.5                              | 3.6                             |
|   | <b>162.0</b>                     | <b>204.9</b>                    |

#### 18 Provisions for liabilities and charges

|                                   | <b>Property<br/>related<br/>£ m</b> | <b>Other<br/>provisions<br/>£ m</b> | <b>Total<br/>£ m</b> |
|-----------------------------------|-------------------------------------|-------------------------------------|----------------------|
| At 1 April 2022                   | 13.9                                | 6.2                                 | 20.1                 |
| Charged during the period         | 1.4                                 | 0.6                                 | 2.0                  |
| Released during the period        | (3.4)                               | (0.8)                               | (4.2)                |
| Adjustment on adoption of IFRS 15 | (0.5)                               | (0.4)                               | (0.9)                |
| <b>At 31 March 2023</b>           | <b>11.4</b>                         | <b>5.6</b>                          | <b>17.0</b>          |
| <b>Non-current liabilities</b>    | <b>8.2</b>                          | <b>0.8</b>                          | <b>9.0</b>           |
| <b>Current liabilities</b>        | <b>3.2</b>                          | <b>4.8</b>                          | <b>8.0</b>           |

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 4 years 2 months.

Other trading provisions comprise a sales returns provision and an employer/product liability provision (of which £0.8m is expected to be realised in >12 months).

#### 19 Share capital

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

|  | <b>31 March<br/>2023</b> |              | <b>1 April<br/>2022</b> |              |
|--|--------------------------|--------------|-------------------------|--------------|
|  | No.                      | £ m          | No.                     | £ m          |
| Allotted, called up and fully paid of<br>£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.

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

#### 20 Reserves

| Reserve                 | Description and purpose  |
|-------------------------|--|
| Share capital           | Nominal value of share capital subscribed for.   |
| Capital contribution    | The capital contribution reserve relates to a capital contribution received as part of the group reorganisation in the prior period, see Note 23 for further details.  |
| 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 £4.2m (2022: £3.8m).

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 £2.4m (2022: £7.8m). All scheme options were valued using the Black-Scholes option-pricing models.

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

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

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

No share options were granted under this scheme in the current period or the prior period. The 240,000 share options outstanding at 31 March 2023 had exercise price of £3.71 and a weighted average remaining contractual life of 0.3 years (2022: 1.3 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.

1,054,000 share options were granted in FY23 (2022: 596,000), with a weighted average remaining contractual life of 8.4 years (2022: 8.3 years). There were 2,297,000 share options outstanding at the period end.

## Halfords Limited

### Notes to the Financial Statements for the period ended 31 March 2023

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

##### 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 £1.67 (2022: £1.79). The options outstanding at 31 March 2023 had exercise prices ranging from £1.16 to £1.79 and a weighted average remaining contractual life of 1.7 years (2022: 1.8 years). There were 8,267,000 share options outstanding at the period end.

##### 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).

For schemes prior to 2018 the PSP performance criteria are weighted 25% towards Group revenue growth targets and 75% towards Group EPS growth targets. For the 2018 and 2019 schemes the PSP performance criteria are weighted 50% towards Group EPS, 25% towards Group revenue growth and 25% towards Group free cash flow.

The 2020 PSP scheme performance criteria is weighted 20% towards Group EPS growth, 30% towards Group Free Cash Flow, 10% towards Group service-related sales and 40% towards total shareholder return. The awards will be underpinned by the Remuneration Committee determining whether, in its opinion, the extent to which the performance conditions have been satisfied is a genuine reflection of the Company's underlying financial performance and has generated value for Company's shareholders over the performance period, and by a net debt to EBITDA ratio no greater than 1.5 throughout the three-year performance period. The 2021 and 2022 PSP scheme performance criteria was weighted 50% towards Group EPS growth, 20% towards Group services-related sales and 30% towards total shareholder return.

The share options outstanding at 31 March 2023 had a weighted average remaining contractual life of 7.9 years (2022: 8.2 years).

**Notes to the Financial Statements  
for the period ended 31 March 2023**

**23 Group Reorganisation**

During the prior period, the Halfords Group of companies completed a re-organisation of the group structure with the objective of reducing the number of non-trading entities in the Group. As part of the reorganisation a distribution of £506.5m was made by the Company, which arose from the Company formally releasing Halfords Finance Limited, Halfords Holdings (2006) Limited, and Halfords Holdings Limited from their obligation to settle balances owed to the Company.

The Company also received a capital contribution of £27.0m, which arose from the Company being formally released from its obligation to settle balances owed to Halfords Payment Services Limited, Halfords Finance Limited, and Halfords Holdings (2006) Limited.

The net impact of the reorganisation on the Company's net assets and Reserves was a reduction of £479.5m in FY22.

**24 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 31 March 2023 amounted to £0.4m (2022: £1.5m). The company is also a guarantor of the Group's borrowing facility, a three year £180m revolving credit facility, which expires on 4 December 2025.

**25 Parent and ultimate parent undertaking**

The Company's immediate holding company is Halfords Group Holdings Limited. The Company's ultimate holding company and its ultimate parent company 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.

In the opinion of the Directors there is no ultimate controlling party of the Company.

**Notes to the Financial Statements  
for the period ended 31 March 2023**

**26 Prior Period Adjustment**

**Classification of Supplier income receivable**

During the preparation of the financial statements for the period ended 31 March 2023 it was identified that Accrued income should have been disclosed separately within the notes to the Financial statements in the prior period as these amounts are different in nature to other balances included within Trade and other receivables.

To correct for this error in the notes to the Financial Statements, Accrued income of £11.1m has been separately presented as a line item in the note, Prepayments have been decreased by £11.1m. In correcting this error there is no impact on the Statement of Profit or Loss, or the Balance Sheet.

**Classification of Agency staff costs**

During the preparation of the financial statements for the period ended 31 March 2023 it was identified that Agency staff costs were incorrectly included within wages and salaries line in the staff costs note (Note 5) in the prior year information. As a result the comparative amount in the wages and salaries line within staff costs should have been £9.2m lower.

To correct for this error in the notes to the Financial Statements, the wages and salaries amount for the comparative period has been reduced by £9.2m. As this amount is still recognised within administrative expenses on the face of the Statement of Profit or Loss there is no impact on the Statement of Profit or Loss, or the Balance Sheet.

**27 Post balance sheet events**

The Directors have considered all post year end transactions, information received and events, up to the date these accounts are signed, for anything that may be either an adjusting or non-adjusting post balance sheet event. There was nothing identified requiring adjustment to, or disclosure in the current year financial statements.