Accounting Policies

General Information
Halfords Group plc is a company domiciled in the United Kingdom. The consolidated financial statements of the Company as at and for the period ended 29 March 2019 comprise the Company and its subsidiary undertakings.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs").

Basis of Preparation
The consolidated financial statements of Halfords Group plc and its subsidiary undertakings (together the "Group") are prepared on a going concern basis for the reasons set out in the Directors' Report on page 68, and under the historical cost convention, except where adopted IFRSs require an alternative treatment. The principal variations relate to financial instruments (IFRS 9 "Financial instruments") and share-based payments (IFRS 2 "Share-based payment").

The financial statements are presented in millions of UK pounds, rounded to the nearest £0.1m.

The accounts of the Group are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 29 March 2019, whilst the comparative period covered the 52 weeks to 30 March 2018.

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

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

The subsidiary undertakings of the Company at 29 March 2019 are detailed in Note 4 to the Company balance sheet on page 159.

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

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

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

Revenue Recognition – policy applicable from 31 March 2018
The Group recognises revenue when it has satisfied its performance obligations to external customers and the customer has obtained control of the goods or services being transferred.

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

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

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

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

Returns – policy applicable from 31 March 2018
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 – policy applicable from 31 March 2018
Deferred income in relation to gift card redemptions is estimated on the basis of historical returns and redemption rates.

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

Non-underlying Items
Non-underlying items are those items that are unusual because of their size, nature or incidence. The Group's management considers that these items should be separately identified within their relevant income statement category to enable a full understanding of the Group's results.

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

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

Accounting Policies

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

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

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

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

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

ii) Share-based Payment Transactions
The Group operates a number of equity-settled share-based compensation plans.

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

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

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

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

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

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

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

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

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

Dividends

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

Intangible Assets

i) Goodwill

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

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

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

Acquisitions after this date fall under the provisions of 'Revised IFRS 3 Business Combinations (2009)'. For these acquisitions transaction costs, other than share and debt issue costs, will be expensed as incurred and subsequent adjustments to the fair value of consideration payable will be recognised in profit or loss.

ii) Computer Software

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

iii) Acquired Intangible Assets

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

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

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

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

Property, Plant and Equipment

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

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

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

Depreciation is expensed to the income statement within operating expenses.

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

Accounting Policies

Impairment of Assets

Tangible and intangible assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). For goodwill, an annual impairment review is performed at each balance sheet date.

Leases

Finance Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the rental is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The benefit of incentives from lessors are recognised on a straight-line basis over the term of the lease.

Landlord Surrender Payments

Payments received from landlords in respect of the surrender of all or part of units previously occupied by the Group that do not represent an incentive for future rental commitments are recognised in the income statement on the exchange of contracts, where there are no further substantial acts to complete.

Sublease Income

The Group leases properties from which it no longer trades. These properties are often sublet to third parties. Rents receivable are recognised by offsetting the income against rental costs accounted for within selling and distribution costs in the income statement.

Inventories

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

Provisions

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

Details of the provisions recognised and the estimates and judgements can be seen in Note 18.

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

A provision for vacant properties is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. The main uncertainty is the quantum and/or timing of the amounts payable, and the time value of money has been incorporated into the provision amount to take account of this sensitivity.

Provision is also made for onerous contracts in loss-making stores and Autocentres which management do not expect to become profitable.

A rent review provision is recognised when there is expected to be additional obligations as a result of the rent review, which forms part of the Group's unavoidable cost of meeting its obligations under the lease contracts. The provision is based on management's best estimate of the rent payable after the review. Key uncertainties are the estimate of the rent payable after the review has occurred.

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

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

Financial Instruments

i) Recognition and Initial Measurement

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

On initial recognition, a financial asset is measured at: amortised cost; FVOCI – equity instrument; or FVTPL. A financial liability is measured at either amortised costs or FVTPL.

ii) Classification and Subsequent Measurement

Financial assets

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

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

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

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

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (Note 20). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

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

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

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

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

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

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

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

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss. However, see Note 20 for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and never reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

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

iii) Derecognition

Financial assets

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

Financial liabilities

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

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

iv) Offsetting

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

v) Derivatives

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

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

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

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

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

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

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

vi) Impairment

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

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

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

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

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

Estimates and Judgements

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

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

Allowances Against the Carrying Value of Inventories

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

A sensitivity analysis has been carried out on the carrying value of inventory. A 10% change in provisions applied to clearance stock would impact the net realisable value of inventories by £0.8m. A 10% change in the current selling price of products would impact the net realisable value of inventories by £0.9m.

Impairment of Assets within Retail and Autocentres

Goodwill and other assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable value may be less than their carrying value. Recoverable amount is based on a calculation of expected future cash flows, which includes management assumptions and estimates of future performance. Details of the assumptions used in the impairment review of goodwill and other assets are explained in Note 10.

The carrying amount of these assets and liabilities can be seen in the notes to the financial statements on pages 137 to 158. Sensitivity analysis on the key assumption in the value-in-use calculations has been undertaken, which found that there is more than adequate amount of headroom before an impairment could be triggered. A +1% change in discount rate and -1% in terminal growth rate would not cause an impairment risk. An impairment reduction would only be triggered if a 25% reduction in cash flow occured within Autocentres, which is not expected to be a reasonable scenario.

Accounting Policies

Adoption of New and Revised Standards

The following standards and interpretations are applicable to the Group and were adopted in the current period as they were mandatory for the year ended 29 March 2019 but either had no material impact on the result or net assets of the Group or were not applicable.

- IFRIC 22 'Foreign Currency Translations and Advance Consideration'
- IFRC 2 'Share-based payment' – amendment relating to classification and measurement of share-based payment transactions.
- Annual improvements to IFRS 2014 – 2016 Cycle (amendments to IFRS 1 and IAS 28).
- IFRS 40 'Investment property' – amendment relating to transfers of investment property.

The Group has adopted IFRS 15 'Revenue from contracts with customers' with a date of initial application of 31 March 2018. IFRS 15 supersedes IAS 11 'Construction contracts', IAS 18 'Revenue' and related interpretations. The new standard establishes a five-step model to account for revenue, which is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Accordingly, the Group has updated its accounting policy for revenue recognition as detailed on page 126.

The Group has adopted IFRS 15 using the cumulative effect method of adoption, with no restatement of comparatives and brought forward adjustments being made through retained earnings at the date of initial application, 31 March 2018.

A description of principal activities from which the Group generates its revenue, and disaggregation of revenue categorised by the reportable segments, is shown in Note 1.

The majority of the Group's sales are for standalone products made direct to customers at standard prices either in-store or online, so the majority of revenue streams are unaffected by the new standard. A summary of changes is shown below:

(a) Principal versus Agent Considerations

In the vast majority of cases, the Group was considered the principal in sales transactions under IFRS 15 and therefore recognised the full value of the sale within revenue, rather than netting off the costs in revenue, in line with the previous treatment under IAS 18. However, under IFRS 15 certain revenue streams within the Group were reclassified to reflect the nature of the control of the goods before they are transferred to customers and therefore showing revenue net of costs, resulting in decreased revenue and cost of sales of £1.5m in the 52 weeks to 29 March 2019 with £nil impact on profit.

(b) Commission for Provision of Credit Finance by Third Parties

The Group incurs commission costs and receives commission income from third parties for providing credit finance to customers. Previously these have been shown within cost of sales. Following a review of the classification of these commissions upon implementation of IFRS 15 this has been reclassified to show revenue net of commission costs incurred and commission income received. This has resulted in decreased revenue and cost of sales of £2.5m in the 52 weeks to 29 March 2019 with £nil impact on profit.

(c) Sales Return Provision

Under IAS 18 the Group held a sales return provision on the statement of financial position to provide for expected levels of product returns at stock margin, which was based on past experience. IFRS 15 requires a presentational change where the amount of revenue relating to expected returns is recognised on the statement of financial position within provisions, with a corresponding adjustment to revenue, and the cost value of goods expected to be returned is recognised within inventories, with a corresponding adjustment to cost of sales. The revenue recognition policy on returns has been updated to illustrate this new classification. The net adjustment on adoption is a £1.7m increase to the value of inventories and provisions. During the period there was £0.1m increase in the value of the right to recover returned goods and a £0.1m increase in the sales return provision, with a corresponding £0.1m decrease to cost of sales and revenue with a £nil impact on profit.

(d) Product Warranties

Revenue recognition under IFRS 15 requires identification of separate performance obligations, a change to the previous approach under IAS 18. The main impact on adoption was in respect of the timing of revenue recognition of product warranties, principally for certain motoring products. Under IFRS 15, the warranty element of a product is considered a separate performance obligation, and so under the new standard a portion of the sale price is allocated to providing a warranty. This is recorded as a liability on the statement of financial position and released to revenue over the period of the warranty. The net adjustment on adoption is a £3.3m increase to liabilities, classified within trade and other payables, with the corresponding adjustment through retained earnings. There was a £0.1m charge to the income statement during the period. The split between current and non-current trade and other payables is shown in the summary table below.

A summary of the impact on the Group income statement for the 52 weeks to 29 March 2019 is shown below:

For the 52 weeks to 29 March 2019	Adjustment as described above	Balance pre adjustments £m	IFRS 15 adjustments £m	As reported £m
Revenue	(a), (b), (c), (d)	1,142.8	(4.2)	**1,138.6**
Cost of sales	(a), (b), (c)	(563.7)	4.1	**(559.6)**
Profit for the period attributable to equity shareholders		42.0	(0.1)	**41.9**

A summary of the impact on the Group statement of financial position as at 29 March 2019 is shown below. The impact on retained earnings comprises a brought forward adjustment on adoption of IFRS 15 of £3.3m, relating to product warranties, and the £0.1m net impact on the Group income statement during the period, as shown above:

As at 29 March 2019	Adjustment as described above	Balance pre adjustments £m	IFRS 15 adjustments £m	As reported £m
Current assets				
Inventories	(c)	183.6	1.8	**185.4**
Current liabilities				
Trade and other payables	(d)	(174.9)	(1.5)	**(176.4)**
Provisions	(c)	(13.3)	(1.8)	**(15.1)**
Non-current liabilities				
Trade and other payables	(d)	(26.2)	(1.9)	**(28.1)**
Net assets		424.4	(3.4)	**421.0**
Retained earnings	(d)	279.5	(3.4)	**276.1**

There was no impact on the Group statement of cash flows for the 52 weeks to 29 March 2019.

New Standards and Interpretations Not Yet Adopted

The following standards and interpretations have been published, endorsed by the EU, and are available for early adoption, but have not yet been applied by the Group in these financial statements. The Group does not believe the adoption of these standards or interpretations would have a material impact on the consolidated results or financial position of the Group, except for IFRS 16 as described below.

- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Annual improvements to IFRS 2015 – 2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).
- IAS 28 'Investment in associates' – amendments relating to long-term interest in associates and joint ventures.
- IFRS 9 'Financial Instruments' – amendments relating to classification of particular prepayable financial assets.
- IAS 19 'Employee benefits' – amendments relating to plan amendment, curtailment or settlement.

The following standards and interpretations have been published but not yet endorsed by the EU. The Group does not believe the adoption of these standards or interpretations would have a material impact on the consolidated results or financial position of the Group.

- IFRS 17 'Insurance contracts' – new standard requiring insurance liabilities to be measured at a current fulfilment value and providing a more uniform measurement and presentation approach for all insurance contracts.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- IFRS 3 'Business Combinations' – amendments to certain appendices.
- Definition of Material – amendments to IAS 1 and IAS 8.

The Group will adopt the requirements of IFRS 16 "Leases" for the first time for the financial year commencing 30 March 2019. The adoption of the standard will have a material impact on the Group's primary financial statements, including impacts on operating profit, profit before tax, total assets and total liabilities.

Lessee accounting

On adoption of IFRS 16, the Group will recognise a new right-of-use asset and corresponding lease liability for each operating lease in which the Group is a lessee on its statement of financial position.

The nature of expenses related to these leases in the income statement will change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities over the life of each lease.

Accounting Policies

The discount rates applied have been based on the incremental borrowing rate where the implicit rate in the lease is not readily available. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend or not to terminate a lease.

Transition
The Group has elected to apply the modified retrospective approach for its portfolio of leases. As a result, the lease liability will be calculated as the present value of future lease payments from the date of transition. For the majority of leases, the asset will be calculated from the lease commencement date, with the cumulative effect of adopting IFRS 16 being recognised as an adjustment to the opening balance of retained earnings at 30 March 2019, with no restatement of comparative information.

Impact of the new standard
The full impact on the Income Statement for the year ending 3 April 2020 is highly sensitive due to a number of judgements, including the treatment of properties where the current lease term has either already expired or is due to expire in the year ending 3 April 2020, but where the Group remains in negotiation with the landlord for potential renewal. Whilst it is likely that a new lease will be entered into in this scenario, it is subject to uncertainty as to the timing and details of such transactions and therefore it is not possible to predict the impact at this time.

In order to estimate the impact on the Group's opening Statement of Financial Position for the year ending 3 April 2020, the lease portfolio at transition date has been used, which would result in an adjustment for right-of-use assets in the region of £400m, with corresponding lease liabilities in the region of £450m.

Net profit before tax for the year ending 3 April 2020 would move by a low digit £m figure as the pre-IFRS 16 rental charge is replaced by depreciation and interest. As previously stated, this is calculated based on the lease portfolio as at the transition date of 30 March 2019 and does not factor in the aforementioned expired leases.

On a cash flow basis, the impact of transition to IFRS 16 will be £nil and the adoption of the standard will have no impact on the way the Group runs its business.