

Directors' Report

The Directors present their report and the audited financial statements of Halfords Group plc (the "Company") together with its subsidiary undertakings (the "Group") for the period ended 29 March 2019.

Halfords Group plc

Registered Number	04457314
Registered Office Address	Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE
Country of Incorporation	England and Wales
Type	Public Limited Company

Statutory Information

The Company has chosen in accordance with the Companies Act 2006 to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report. These matters, together with those required under the 2013 Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are cross referenced in the following table:

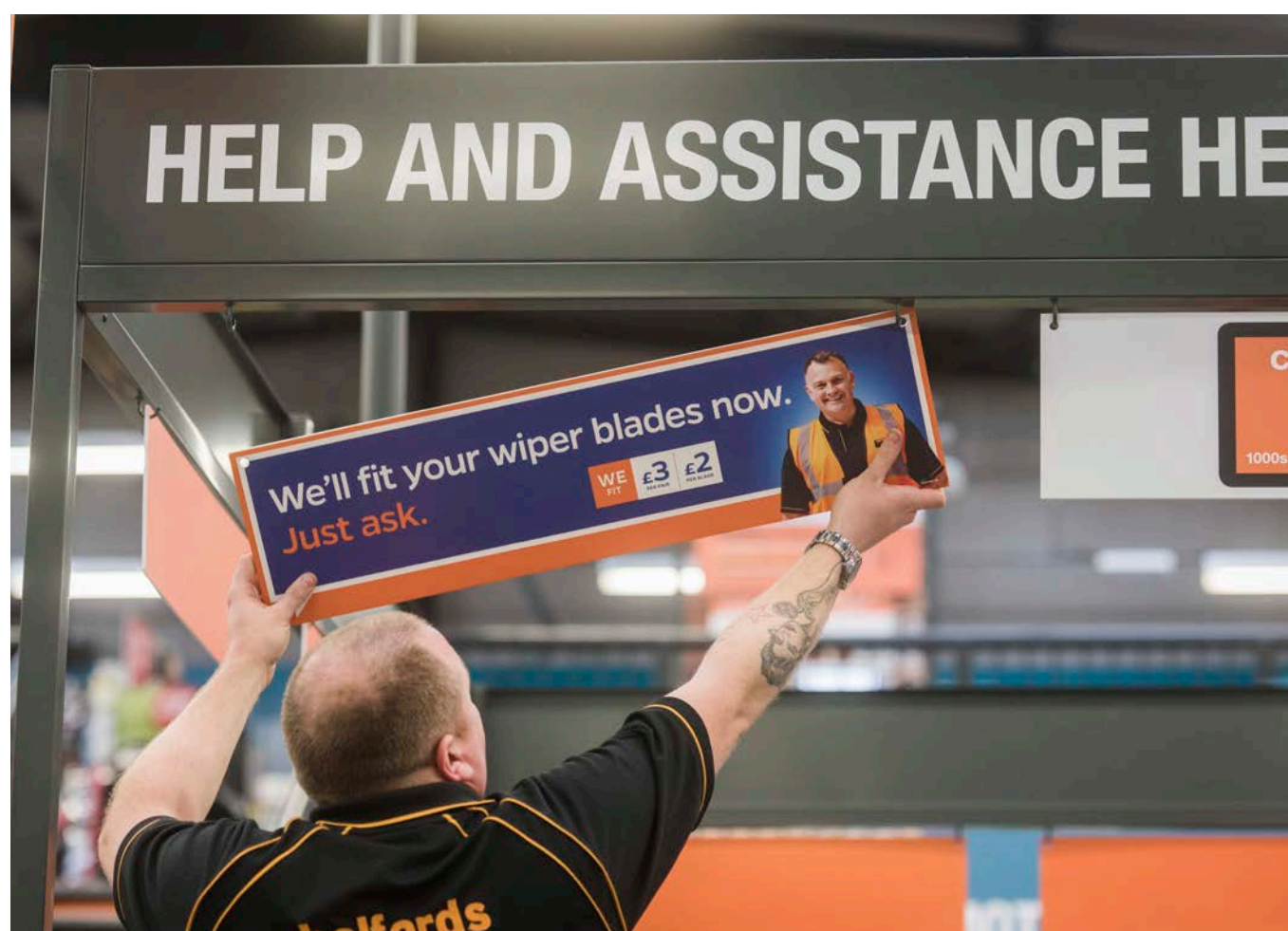
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Disclosures Required by the Financial Conduct Authority's ("FCA") Listing Rule 9.8.4R

The information required by Listing Rule 9.8.4R is disclosed on the following pages:

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Long-term incentive schemes (Performance Share Plan and Restricted Share Plan)	99 to 108
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Directors' Report

Principal Activities

The principal activities of the Group are: the retailing of motoring and cycling products and services; and garage servicing and auto repair. The principal activity of the Company is that of a holding company. The Company's registrar is Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Profits and Dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 120. The profit before tax was £51.0m (2018: £67.1m) and the profit after tax amounted to £41.9m (2018: £54.7m). The Board proposes that a final dividend of 12.39 pence per ordinary share be paid on Friday 30 August 2019 to shareholders whose names are on the register of members at the close of business on Friday 26 July 2019. This payment, together with the interim dividend of 6.18 pence per ordinary share paid on 18 January 2019, makes a total for the year of 18.57 pence per ordinary share. The total final dividend payable to shareholders for the year is estimated to be £24.4m.

Computershare Trustees (Jersey) Limited, trustee of the Halfords Employees' Share Trust, has waived its entitlement to dividends.

Performance Monitoring

The delivery of the Group's strategic objectives is monitored by the Board through Key Performance Indicators ("KPIs") and periodic review of various aspects of the Group's operations. The Group considers that the KPIs listed on pages 28 to 30 are appropriate measures to assess the delivery of the Group's strategy.

Directors

The following were Directors of the Company during the period ended 29 March 2019 and at the date of this Annual Report:

- Keith Williams (appointed 24 July 2018)
- Graham Stapleton
- Loraine Woodhouse (appointed 1 November 2018)
- David Adams
- Helen Jones
- Jill Caseberry (appointed 1 March 2019)
- Dennis Millard (resigned 24 July 2018)
- Jonny Mason (resigned 31 July 2018)
- Claudia Arney (resigned 1 March 2019)

In accordance with the Company's Articles of Association and the UK Corporate Governance Code guidelines, all those persons holding office as a Director of the Company on 29 March 2019 will retire and offer themselves for re-election at the 2019 Annual General Meeting ("AGM"), with the exception of Loraine Woodhouse, who was appointed on 1 November 2018, and Jill Caseberry who was appointed on 1 March 2019. Instead they will stand for election for the first time at the 2019 AGM.

Appointment and Removal of a Director

A Director may be appointed by an ordinary resolution of shareholders in a general meeting following recommendation by the Nomination Committee in accordance with its Terms of Reference as approved by the Board or by a member (or members) entitled to vote at such a meeting. Alternatively, a Director may be appointed following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or act as an additional Director, provided that the individual retires at the next Annual General Meeting and if they are to continue, they offer themselves for election. A Director may be removed by the Company in circumstances set out in the Company's Articles of Association or by a special resolution of the Company.

Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by the Company by special resolution and any relevant statutes and regulations, the business of the Company will be managed by the Board who may exercise all the powers of the Company. Specific powers relating to the allotment and issuance of ordinary shares and the ability of the Company to purchase its own securities are also included within the Articles, and such authorities are submitted for approval by the shareholders at the Annual General Meeting each year. The authorities conferred on the Directors at the 2018 Annual General Meeting, held on 24 July 2018, will expire on the date of the 2019 Annual General Meeting. Since the date of the 2018 Annual General Meeting, the Directors have not exercised any of their powers to issue, or purchase, ordinary shares in the share capital of the Company.

Directors' Interests

The Directors' interests in, and options over, ordinary shares in the Company are shown in the Annual Remuneration Report on pages 99 to 108.

Since the end of the financial year and the date of this report, there have been no changes to such interests.

In line with the requirements of the Companies Act, Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of the Company unless that conflict is first authorised by the Board.

The Company has in place procedures for managing conflicts of interest. The Company's Articles of Association contain provisions to allow the Directors to authorise potential conflicts of interest, so that if approved, a Director will not be in breach of his/her duty under company law. In line with the requirements of the Companies Act 2006, each Director has notified the Company of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). Directors have a continuing duty to update any changes to their conflicts of interest and the register is updated accordingly.

The Directors are also aware of their duties under Section 172 of the Companies Act 2006 and so in making their decisions they consider the long-term impact on the business as well as taking into consideration the interests of stakeholders such as employees, suppliers, customers and the wider communities in which we operate.

Directors' Indemnities

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.

Colleagues

Employment Policies

The Group encourages diversity and equality, and as an equal opportunities employer, is committed to providing equal opportunities for all colleagues and applicants during recruitment and selection, training and career development and promotion.

This commitment to equality of opportunity applies regardless of anyone's physical ability, sexual orientation or gender identity, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin. This is underpinned by our Group's policies which ensure full and fair consideration to employment applications from people from diverse backgrounds including those with disabilities wherever suitable opportunities exist, having regard to their particular aptitudes and abilities. Should a colleague become disabled, efforts are made to ensure their continued employment with the Group, with appropriate retraining as necessary.

Further details of our Diversity Policy are included in the Nomination Committee Report on page 87.

The Group takes a zero-tolerance approach to matters of discrimination, harassment and bullying in all aspects of its business operations. Appropriate policies and procedures are in place for reporting and dealing with such matters.

Colleague Engagement

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

Engagement with, and feedback from, our colleagues across the business is vital to the Group. The Group has an established framework of colleague communications providing regular information on business performance and other important and relevant matters. This includes a weekly blog from the Chief Executive Officer, team meetings and "huddles", a monthly magazine, and a programme of regular conferences. In addition, the Group undertakes its own annual Colleague Engagement Survey and participates in the external "Best Companies" survey which is published by The Sunday Times.

One of the core principles of the 2018 UK Corporate Governance Code (the "Code") (which was published in July 2018) is to place greater emphasis on colleague engagement by ensuring that the interests of employees

are properly represented at Board Meetings. Even though the Company does not have to report on its compliance with these particular requirements of the Code until its FY20 Annual Report we are working towards complying with these new obligations so that the "Employee Voice" will be taken into account at future Board meetings. More information on this is set out in the CSR Report on page 36.

Colleague Training and Development

The Group strives to meet its business objectives by motivating and encouraging all colleagues to be responsive to the needs of its customers and to continually improve operational performance. To achieve this we deliver a range of structured training and development programmes, across the Group, in our Retail, Autocentres, Performance Cycling, Boardman and Cycle Republic businesses. We regard the training and development of young people as being particularly important for our business and also for the communities in which we operate. For these reasons we continue to invest heavily in our apprenticeship programme. Further information on colleague training and development can be found on page 34 of the CSR Report.

In addition, the Group runs a Leadership Development programme, called Aspire, to identify and develop colleagues across the Group, with potential to be our leaders of the future. This continues our drive to develop and promote from within.

Whistleblowing

The Group's Whistleblowing Policy and Procedure (the "Whistleblowing Policy") ensures that arrangements are in place to enable colleagues to raise concerns about

possible improprieties on a confidential basis without fear of recrimination. The Group is committed to conducting its business with honesty and integrity, and it expects all colleagues to maintain high standards in accordance with its corporate culture. An understanding of openness and accountability is essential in order to prevent illegal or unethical conduct or malpractice and to enable any such situations to be addressed should they ever occur. The Group Whistleblowing Policy is reviewed annually and communicated to all colleagues around the Group.

Share Capital and Shareholder Voting Rights

Details of the Company's share capital and of the rights attaching to the Company's ordinary shares are set out in Note 21 on page 155. All ordinary shares, including those acquired through Company share schemes and plans, rank equally with no special rights.

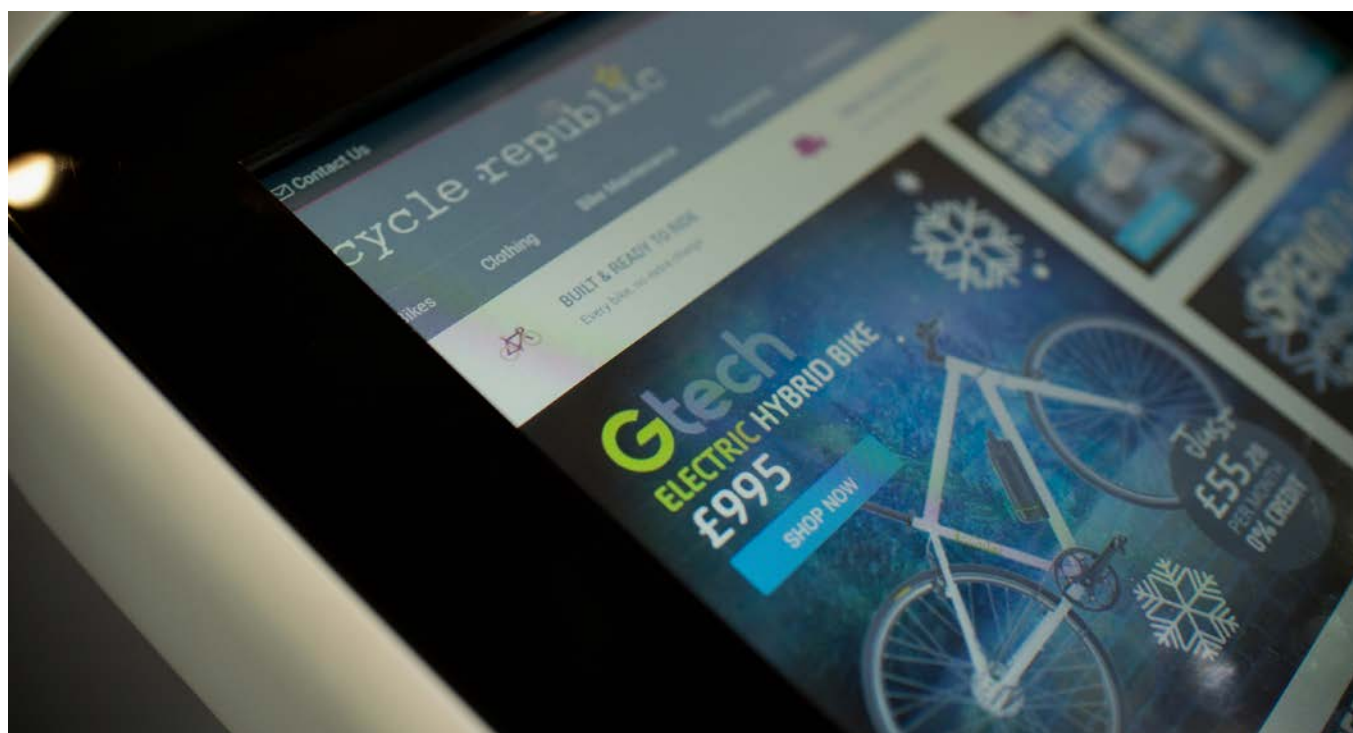
All members who hold ordinary shares are entitled to attend, vote and speak at the general meetings of the Company, appoint proxies, receive any dividends, exercise voting rights and transfer shares without restriction. On a show of hands at a general meeting every member present in person, and every duly appointed proxy shall have one vote for every share held, and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held. The Company is not aware of any arrangements that may restrict the transfer of shares or voting rights.

Significant Shareholders

As at 30 April 2019, this being the latest practicable date, the Company has been notified under the Disclosure Guidance and Transparency Rules (DTR5) of the following notifiable interests representing 3% or more of the Company's issued share capital.

Manager	Holding	% of Issued Shares
Jupiter Asset Management Limited	20,606,270	10.35
J O Hambro Capital Management	12,760,613	6.41
Evenlode Investment Management Ltd	10,355,618	5.20
Fidelity International Limited	10,295,742	5.17
Dimensional Fund Advisors	9,673,676	4.86
Rathbones	8,500,753	4.27
Schroders Plc	8,395,437	4.22
Norges Bank Investment Management	7,480,022	3.76
Wellington Management Company	7,468,017	3.75
BlackRock Inc	7,335,440	3.68
The Vanguard Group Inc	6,079,343	3.05
Aberforth Partners LLP	5,993,942	3.01

Directors' Report



Authority to Purchase Shares

At the 2018 Annual General Meeting, shareholders approved a special resolution authorising the Company to purchase a maximum of 19,911,663 shares, representing not greater than 10% of the Company's issued share capital at 1 June 2018, such authority expiring at the conclusion of the Annual General Meeting to be held in 2019 or, if earlier, on 30 September 2019.

Transactions with Related Parties

During the period, the Company did not enter into any material transactions with any related parties.

Articles of Association

In accordance with the Companies Act 2006, the Articles of Association may only be amended by a special resolution of the Company's shareholders in a general meeting.

Political Donations

The Group made no political donations and incurred no political expenditure during the year (FY18: nil). It remains the Company's policy not to make political donations or to incur political expenditure. However, the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and, as last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach

these provisions as a result of the breadth of its business activities, however, the Board has no intention of using this shareholder authority.

Going Concern

The Group has a £200m revolving credit facility, ending in September 2022 following the exercise of a one-year extension option during the financial year. At the year end, the Group had undrawn borrowing facilities of £118m (2018: £116m). The Group's current committed borrowing facilities contain certain financial covenants, which have been met throughout the period. The Group's forecasts and projections, taking account of severe but reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its borrowing facilities and covenants for the foreseeable future. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, hence they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Credit Facilities, Change of Control and Share Schemes

The Company's revolving credit facilities referred to above require the Company in the event of a change of control to notify the facility agent and, if required by the majority lenders, these facilities may be cancelled. The Company does not have agreements with any Director or colleague that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and Deferred Bonus Plan may cause options and awards granted to Directors and colleagues under such schemes and plans to vest on a takeover.

Details of employee share plans are provided in Note 22 on pages 155 to 157.

Viability Statement

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three-year period to 1 April 2022. The Directors believe this period to be appropriate as the Company's strategic planning encompasses this period, and because it is a reasonable period over which the impact of key risks can be assessed within a fast-moving retail business.

The Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due at least until 1 April 2022. As is customary when dealing with longer-term debt facilities, the Board would expect these to be renewed well in advance of their next term.

In making this statement, the Directors have reviewed the overall resilience of the Group and have specifically considered:

- a robust assessment of the impact, likelihood and management of principal risks facing the Group, including consideration of those risks that could threaten its business model, future performance, solvency or liquidity or sustainability. The assessment of viability has specifically considered risks that could threaten the Group's day-to-day operations and existence. The assessment considered how risks could affect the business now, and how they may develop over three years; and
- financial analysis and forecasts showing current financial position and performance, cash flow projections, dividend strategy, funding requirements and funding facilities.

More details of key risks, mitigations and assessment processes are set out on pages 50 to 58.

Modern Slavery Statement

In order to support its estate of Retail stores and garages, the Group 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 Group's policies on modern slavery and human trafficking. These include, for example, the Group's Ethical Trading Statement which states that:

- suppliers are required to sign a compliance declaration, confirming that they have not been investigated for, or convicted of, any offence under the Modern Slavery Act 2015 or any other equivalent law;
- Halfords reserves the right to conduct risk assessments in respect of its suppliers, and implement the Group's Code of Conduct where necessary. This is particularly pertinent to those suppliers managed by the HGS team, given that the Code of Conduct encompasses principles

of trading based on international standards including the International Labour Organisation ("ILO") conventions and recommendations. Moreover, the Code reflects the Group's opposition to the exploitation of workers in all forms, its support for fair and reasonable pay and rewards, the requirement for health and safety standards etc.

Additionally, the Group's Terms of Business require suppliers to comply with all requirements under the Modern Slavery Act 2015. Thereafter, Halfords operates robust due diligence processes which include, where relevant, onsite inspections and audits of the factories, warehouses and tied accommodation operated by its suppliers.

The Group also provides comprehensive training to appropriate colleagues which ensures their understanding of all issues relating to modern slavery and human trafficking.

As a result of the above activity, during FY19, no concerns were raised regarding any of the Group's suppliers, and therefore Halfords continues to be assured that no organisation within its supply chain has breached its legal or contractual obligations.

The Group's Board of Directors reviews its Modern Slavery Statement on an annual basis. It was last approved on 5 September 2018.

Creditor Payment Policy

The Group does not follow any formal Code of Practice on payment. Instead it agrees terms and conditions for transactions when orders for goods or services are placed, and includes relevant terms in contracts, as appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by suppliers. The number of trade creditor days outstanding as at 29 March 2019 for the Group was 60 days (2018: 66 days). The Company is a holding company and has no trade creditors.

Branches

The Company and its subsidiaries have established branches in the different countries in which they operate.

Auditor

The Company's current Auditor is KPMG LLP. However, following a recent re-tender of the Audit, BDO LLP were successful and so will provide audit services to the Group going forward. This was explained in an RNS announcement on 6 February 2019 and a resolution proposing the appointment of BDO LLP will be set out in the Notice of the 2019 Annual General Meeting and will be put to shareholders at the meeting.

Disclosure of Information to the Auditor

In accordance with Section 418(2) of the Companies Act 2006, each Director in office at the date and approval of the Directors' Report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Directors have taken all reasonable steps to ascertain any relevant audit information and to ensure that the Company's Auditor is aware of such information.

Important Events Since Year End

There have been no significant events since the year end.

Annual General Meeting ("AGM")

The AGM will be held at the Hilton Garden Inn, 1 Brunswick Square, Brindleyplace, Birmingham, B1 2HW on Wednesday 31 July 2019. The Notice of the AGM and explanatory notes regarding the ordinary and special business to be put to the meeting will be set out in a separate circular to shareholders.

By order of the Board

Tim O'Gorman

Group Company Secretary
21 May 2019