

21. Capital and Reserves

	2019 Number of shares	2019 £000	2018 Number of shares	2018 £000
Ordinary shares of 1p each:				
Allotted, called up and fully paid	199,116,632	1,991	199,116,632	1,991

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

There has been no change in share premium, which has remained at £151.0m (2018: £151.0m).

In total the Company received proceeds of £0.4m (2018: £0.1m) from the exercise of share options. During the year the Company purchased £1.0m (2018: nil) of its own shares.

Investment in Own Shares

At 29 March 2019 the Company held in Trust 2,134,139 (2018: 2,060,363) of its own shares with a nominal value of £21,341 (2018: £20,604). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 29 March 2019 was £5.1m (2018: £6.7m). In the current period nil (2018: nil) were repurchased and transferred into the Trust, with 254,689 (2018: 37,500) reissued on exercise of share options.

Other Reserves

Capital Redemption Reserve

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

Hedging Reserve

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

22. Share-based Payments

The Group has five share award plans, all of which are equity-settled schemes. The Group Income Statement charge recognised in respect of share-based payments for the current period is £0.3m (2018: £0.4m).

1. Halfords Company Share Option Scheme

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

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

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

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

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

2. Management Share Plan ('MSP')

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

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

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

Notes to the Financial Statements

22. Share-based Payments continued

3. Halfords Sharesave Scheme ("SAYE")

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

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

4. Performance Share Plan

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

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

The previous PSP performance criteria was weighted 25% towards Group revenue growth targets and 75% towards Group EPS growth targets. From the 2018 award onwards the PSP performance criteria is weighted 50% towards Group EPS growth, 25% towards Group revenue growth and 25% towards Group Free Cash Flow. In order to focus management the awards will be underpinned by the Remuneration Committee determining whether, in its opinion, the extent to which the performance conditions have been satisfied is a genuine reflection of the Company's underlying financial performance and has generated value for Company's shareholders over the performance period, and by a net debt to EBITDA ratio no greater than 1.5x throughout the three-year performance period.

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

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

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

In the prior year two RSP-SMP awards were granted to senior management excluding the CEO and CFO. They were granted to participants on 13 September 2017 and have two different performance period end dates: 30 March 2018 and 29 March 2019.

Nil cost options have been granted which can be exercised on the first anniversary and second anniversary of the grant date for the 2018 and 2019 schemes respectively. Exercise of an option is subject to performance conditions in relation to Group PBT and continued employment.

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

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

For the period ended 29 March 2019

	CSOS		MSP		SAYE		PSP		RSP-SMP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of year	4,198	3.64	358	-	3,078	2.76	2,086	-	561	-
Granted	-	-	371	2.69	851	2.78	1,288	-	-	-
Shares representing dividends reinvested	-	-	-	-	-	-	98	-	-	-
Forfeited	(228)	3.34	(8)	2.78	(689)	2.75	(837)	-	(90)	-
Exercised	(59)	3.07	-	-	(40)	2.84	(8)	-	(148)	-
Lapsed	(1,548)	3.73	(8)	2.78	(204)	3.57	(365)	-	-	-
Outstanding at end of year	2,363	3.63	713	2.73	2,996	2.71	2,262	-	323	-
Exercisable at end of year	-	-	-	-	-	-	-	-	57	-
Exercise price range (£)	3.07-5.43		-		2.50-4.25		-		-	
Weighted average remaining contractual life (years)	6.3		9.0		1.6		1.8		0.2	

22. Share-based Payments continued

For the period ended 30 March 2018

	CSOS		MSP		SAYE		PSP		RSP-SMP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of year	5,983	3.87	–	–	2,892	2.77	1,612	–	–	–
Granted	–	–	360	–	899	2.77	1,204	–	591	–
Shares representing dividends reinvested	–	–	–	–	–	–	77	–	–	–
Forfeited	(750)	4.05	(2)	–	(636)	2.84	(541)	–	(30)	–
Exercised	(5)	3.07	–	–	(33)	2.64	–	–	–	–
Lapsed	(1,030)	4.66	–	–	(44)	2.63	(266)	–	–	–
Outstanding at end of year	4,198	3.64	358	–	3,078	2.76	2,086	–	561	–
Exercisable at end of year	118	–	–	–	–	–	–	–	–	–
Exercise price range (£)	2.20–5.43		–		2.50–4.25		–		–	
Weighted average remaining contractual life (years)	7.3		9.4		2.0		1.8		0.8	

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

Grant date	52 weeks to 29 March 2019		
	MSP	SAYE	PSP
Share price at grant date (£)	3.20	3.21	3.19/3.08/2.32
Exercise price (£)	–	2.78	–
Expected volatility	29.86%	29.03%	29.60%/29.14%/31.18%
Option life (years)	10	3	3
Expected life (years)	3	3.5	2.5/2.4/2.0
Risk free rate	–	0.99%	–
Expected dividend yield	5.77%	5.59%	–
Probability of forfeiture	33%	44%	0%/0%/32%
Weighted average fair value of options granted (£)	2.69	0.55	3.19/3.08/2.32

Grant date	52 weeks to 30 March 2018				
	CSOS	MSP	SAYE	PSP	RSP -SMP
Share price at grant date (£)	–	3.26	3.33	3.19/3.58	3.19
Exercise price (£)	–	–	2.77	–	–
Expected volatility	–	28.99%	28.89%	28.89/30.53%	22.01/31.38%
Option life (years)	–	10	3	3	0.75/1.75
Expected life (years)	–	3	3.5	2.5/2.2	0.5/1.5
Risk free rate	–	–	0.35%	–	–
Expected dividend yield	–	5.37%	5.26%	–	–
Probability of forfeiture	–	33%	44%	32%/0%	10%/20%
Weighted average fair value of options granted (£)	–	2.78	0.6	3.19/3.58	3.19

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