TO INSPIRE AND SUPPORT A LIFETIME OF MOTORING AND CYCLING

halfords®

Halfords Group plc

Annual Report and Accounts for the period ended 29 March 2019
Stock code: HFD

Halfords is the UK's leading provider of motoring and cycling products and services. Through _Halfords Autocentres_, it is also one of the UK's leading independent operators in vehicle servicing, maintenance and repairs.

Our Vision

Our vision is clear:

- To Inspire and Support a Lifetime of motoring and cycling

Online Annual Report

Read our Annual Report online, including a link to the full Remuneration Policy

halfords.annualreport2019.com

Corporate Website

Catch up with our latest news and learn more about Halfords on our corporate website

www.halfordscompany.com

Our Integrated Report

This is our fifth integrated report and is designed to provide a concise overview of how we generate value for all stakeholders. By following an integrated reporting model, we aim to show how our competitive advantage is sustainable in the short, medium, and long term. While this report focuses on value generation for our shareholders, it also demonstrates how we interact with all of our stakeholders.

Our Approach

In producing this report we have built upon the key changes introduced previously and then developed it further in line with the evolving practices in integrated reporting. Our future reports will seek to keep up with these new developments and achieve our aim of continually improving our stakeholder communications.

The steps we have taken in this report:

- our business model continues to evolve to provide greater clarity on how we create value in the short, medium and long term. We have provided more detail on the outputs of our business model;
- we have increased the signposting and consistency between sections to show how they connect and interact;
- we have ensured that we discussed material matters both positive and negative in a fair, balanced and understandable way.

A little direction for your journey through our report

This icon signposts the reader to other sections in this report

This icon signposts the reader to more information that can be found online

This icon is used to indicate content on the outputs of the business model.

What's inside this Annual Report

Our Marketplace

Halfords operates in two distinct markets – motoring and cycling – selling products and services across the UK and Republic of Ireland.

Read more about Our Marketplace on pages 14 to 18

Business Model

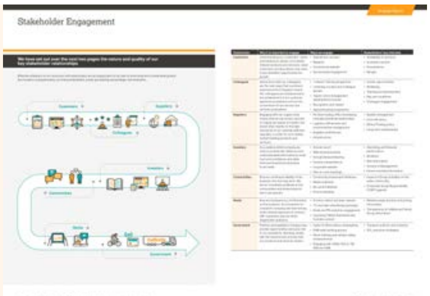
Effective utilisation of our resources and relationships are an integral part of our plan to drive long-term sustainable growth.

Read more about our Business Model on pages 20 and 21

Stakeholder Engagement

Relationships with our stakeholders are a key part of our business – how we engage these groups, how we address issues and how they contribute to the business.

Read more about Stakeholder Engagement on pages 22 and 23



Our Strategy

1 *Inspire*

2 *Support*

3 *Lifetime*

Read more abour Our Strategy on pages 24 to 27

Corporate Social Responsibility

We constantly look to ensure that our Corporate Responsibility Strategy is aligned to our Company goals and values.

Read more about Corporate Social Responsibility on pages 32 to 42

Contents

Group Highlights

An *exciting* time for Halfords

We have a clear plan aimed at driving sustainable long-term growth.

Our new strategy will ensure that we remain focused on our core motoring and cycling offers, enabling customers to buy products and services with features and benefits that they not only desire but are only available at Halfords.

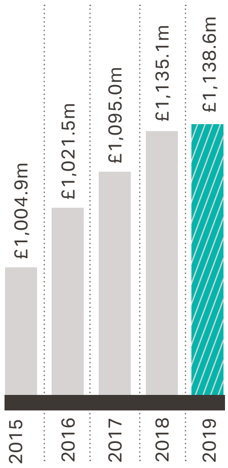
> *Halfords Group has delivered sales and Free Cash Flow growth in what remains a challenging UK consumer environment. While motoring continued to be impacted by extremely mild weather conditions, we are pleased to have seen continued and sustained growth in cycling, underpinned by improvement in our exclusive own brand ranges.*

Graham Stapleton
Chief Executive Officer

FINANCIAL

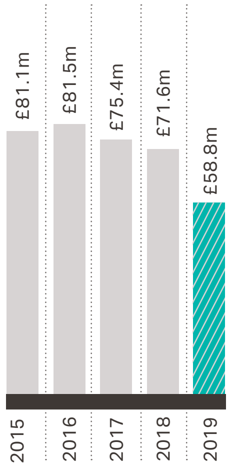
Revenue

+0.3%



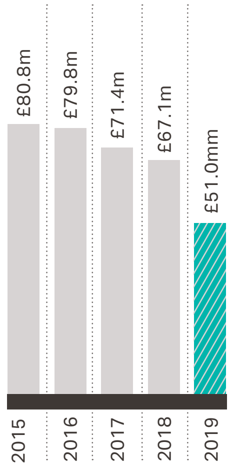
Underlying Profit Before Tax

-17.9%



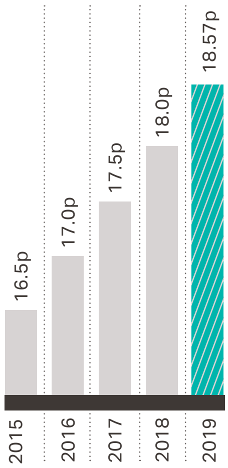
Profit Before Tax

-24.0%



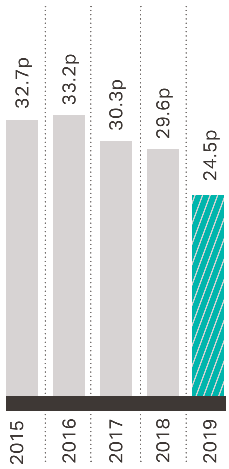
Dividend Per Ordinary Share

+3.0%



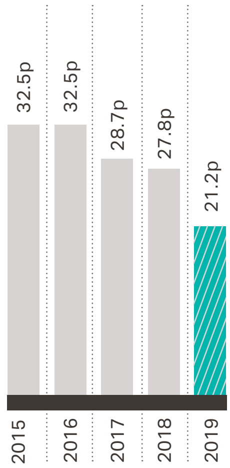
Underlying Basic Earnings Per Share

-17.2%

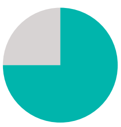


Basic Earnings Per Share

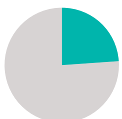
-23.7%



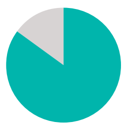
OPERATIONAL



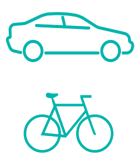
75%
Group revenue matched to customers



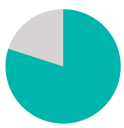
24%
Total Group sales which are service-related



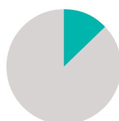
83%
of halfords.com online orders click and collected in-store



80
In-store Retail services across motoring and cycling



0.8:1
Net debt to Underlying EBITDA ratio



20%
Group revenue from online sales

Our Annual Report and Accounts includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is included on page 166.

Investment Case

FIVE REASONS TO INVEST

1

Scaled and growing business

Halfords has 797 locations in the UK; from Retail stores, to Autocentres, Performance Cycling stores and our fleet of Halfords Mobile Expert vans. We continue to invest in our business, both the physical and online estate, ensuring that we are fit for the future and making us even more relevant and convenient for our customers.

2

Operating in established markets

Halfords has a strong position in well established markets with good long-term growth prospects. Our growth in key markets, such as E-Bikes, is well above the market rate, strengthening our position as market leaders as we gain share from our competitors. Through innovation, new products and new services, the markets in which we operate are continuing to grow. Continued investment in these means we are able to remain relevant to our customers.

3

Strong balance sheet and cash generative

Halfords Group ends the year in a strong financial position with a healthy balance sheet and remains cash generative. Free Cash Flow, in line with our medium-term financial targets, remains in growth in the year.

4

Consistent dividend returns

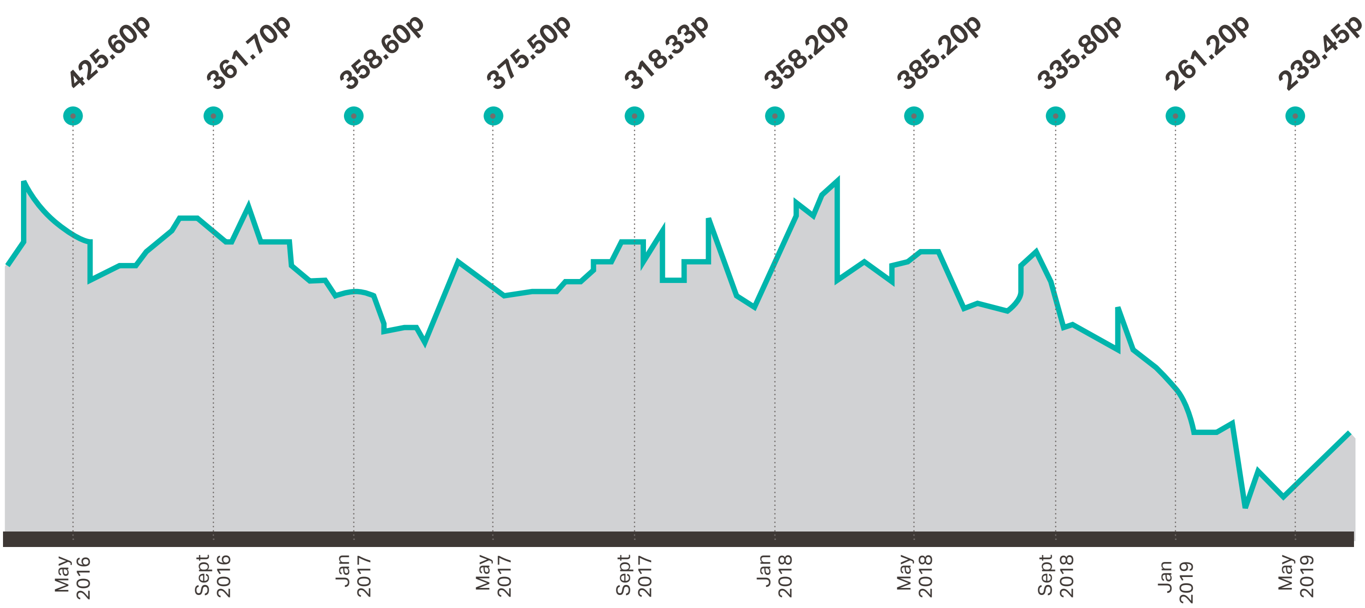
Our strong financial position has meant that Halfords has consistently maintained its progressive dividend policy, with 3% growth in the ordinary dividend per year. The growth in Free Cash Flow in the year, continues to support the dividend.

5

Net Debt

Group Net Debt of 0.8× EBITDA in FY19, remains below the 1.0× target. This target ranges up to 1.5× for appropriate M&A

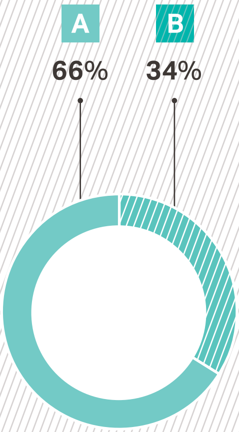
SHARE PRICE CHART



Group at a Glance

As a Group we are stronger and more efficient together

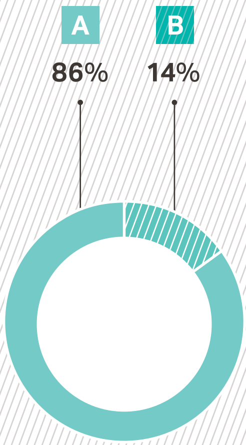
Category split of Halfords Group revenue (between motoring and cycling)



A Motoring

B Cycling

Category split of Halfords Group revenue (between Retail and Autocentres)



A Retail

B Autocentres

Motoring

Retail

Our strong heritage and brand means Halfords is a destination for consumers who want any assistance with their cars. We continue to make progress in our markets through investment in our stores and colleagues to help deliver innovative products and services. Significantly, we have an established and growing ability to provide services on demand in-store through our We-Fit proposition.

Autocentres

Via our Autocentres, Halfords offers great value and convenience for UK customers of car servicing, repairs and MOT. The strength of our brand and the scale of our estate enables us to invest in the most up-to-date equipment and technology. This year, focus has been on providing industry-accredited training to colleagues in the servicing and maintenance of hybrid and electric vehicles.

Cycling

Retail

The cycling market is highly fragmented, with an estimated 2,500 bike shops in the UK, the majority of which are independently owned. Halfords Group is the market leader, with strong brand awareness in bicycles, parts, accessories and clothing.

Through Tredz and Cycle Republic we operate in the Performance Cycling market. These two brands, alongside our Retail stores, mean we are able to service the needs of all cyclists from mainstream to commuter to enthusiast.

The majority of bikes sold by Halfords are own-brand. These brands include Apollo, Carrera and Boardman. However, we support our ranges with other selected third party bike brands, such as Specialized, Giant, Cannondale, Cube, Scott, Haibike and recently Brompton and G-tech.

Our Store Portfolio

451
Retail stores

317
Autocentres

22
Cycle Republic stores

3
Tredz stores

1
Boardman Performance Centre

3
Halfords Mobile Expert vans

Our key brands

halfords®

cycle republic

tredz.co.uk

Wheelies


ords
halfords
we fit

Chairman's Statement

Key facts from the year

£58.8m

Underlying Profit Before Tax

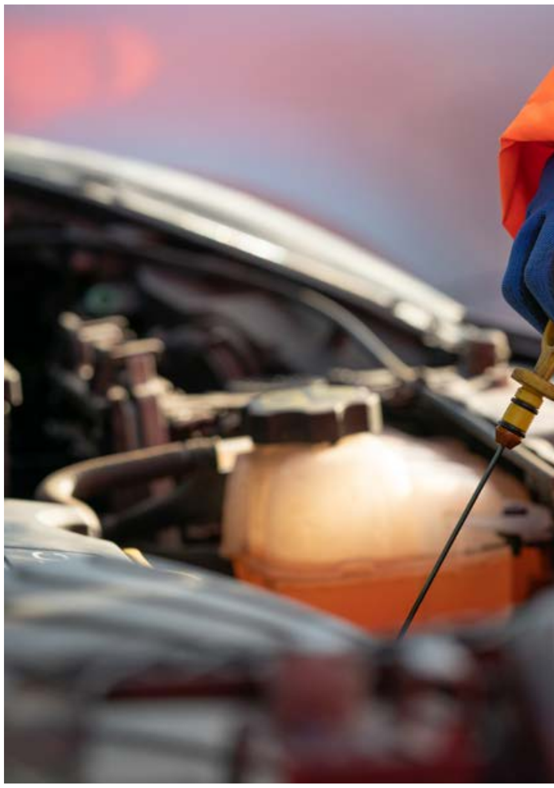
£42.7m

Free Cash Flow

18.57p

Full-year ordinary dividend

"This is a business that has good foundations, a strong heritage and market leading positioning in many of its categories."



Keith Williams
Chairman

Initial views of Halfords Group

Having joined the Group in July 2018, this is my first statement as Chairman and I would like to take this opportunity to say how excited I am to be a part of the Halfords Group. This is a business that has good foundations, a strong heritage and market leading positioning in many of its categories. The new strategy looks to leverage these strengths by creating a more specialist, unique and differentiated shopping experience for our customers, with a convenient and easy to shop service offering that allows us to build lifelong relationships with our customers.

In a year which has been tough for many retail businesses, the passion, dedication and "can do" attitude of the colleagues within our business has been admirable. The year has also seen a number of changes in the executive leadership team; principally our new Chief Financial Officer, Loraine Woodhouse, who joined the business in November 2018. Loraine brings strong expertise and has made a great early impression on the team.

As incoming Chairman, I would like to take this opportunity to thank Dennis Millard for his hard work and dedication to the business during his nine-year tenure at Halfords and wish him all the best for future. Similarly, I would like to thank Claudia Arney for her considerable contribution in nine-years as a Non-Executive Director and to extend a warm welcome to Jill Caseberry as a new Board director.

FY19 Performance

Throughout the year, Brexit dominated the headlines and the retail and consumer environment suffered as a result. Despite the tough back drop, the Group delivered positive like-for-like sales growth of +1.1% in the year.

Our Retail performance was impacted by milder winter temperatures and a more cautious customer in the year. This resulted in a sharp drop in profits for the year and a disappointing shortfall in profit versus our expectation. Nonetheless, investment in our services proposition, and an improved product offering in a number of categories, E-Bikes, for example, resulted in good growth in a number of product areas.

Autocentres performance was significantly improved in the year, with underlying EBIT growing 34.1% year-on-year. Strong revenue growth, with improvements in margin and tight cost control, led Autocentres to a second year of profit growth.

Underlying Profit Before Tax of £58.8m, was down £12.8m year-on-year, principally reflecting the milder winter weather, weakened consumer confidence during the run up to Christmas, cost inflation and strategic investment.

Notwithstanding the profit challenge, Free Cash Flow in the year was ahead of the previous year. Given the cash generative position of the business, the Board has recommended a final dividend payment of 12.39 pence, taking the full-year ordinary dividend to 18.57 pence, up 3.0% year-on-year.

To Inspire and Support a lifetime of motoring and cycling

The new strategy, presented in September 2018, is detailed within this report (pages 24 to 27). We have a clear and simple customer objective – inspiring and supporting a lifetime of motoring and cycling.

The strategy will ensure that we remain focused on our core motoring and cycling offers, enabling customers to buy products and services with features and benefits that they not only desire but are only available at Halfords. Looking ahead, customers will be able to access a broader range of services more easily from a single integrated website and more convenient locations. Finally, customers will enjoy building relationships with Halfords for the long term as they are encouraged to explore and benefit from all that we do in both motoring and cycling over their lifetime.

- **Inspire** our customers through a differentiated super-specialist shopping experience
- **Support** our customers through an integrated, unique and more convenient services offer
- Enable a **lifetime** of motoring and cycling

The year ahead

The economic backdrop continues to be challenging, with no real certainty on the timing or form of Brexit. Regardless of the environment, longer term Halfords Group remains in a strong position, with a talented group of colleagues who remain focused on delivering an outstanding customer experience. Under the leadership of a new executive team, the business will focus on delivering against its strategic objectives and returning to a position of long-term sustainable growth.

Keith Williams
Chairman
21 May 2019

Chief Executive's Statement

Positive long-term prospects for the Group

1.1%
Group Sales growth (like-for-like)

24%
Total Group sales which are service-related

34.1%
Underlying Autocentres EBIT growth

> *"Since launching our new strategy, we have seen encouraging early progress. As we strengthen our unique services proposition, customers are responding positively, and we are particularly pleased that nearly a quarter of all Halfords sales are now service-related."*

Graham Stapleton
Chief Executive Officer

Our Annual Report and Accounts includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is included on page 166.

Summary of Group Results

Group revenue of £1,138.6m was up 0.3%, with like-for-like ("LFL") sales growth of +1.1%, despite a challenging consumer environment.

Gross profit improved in the year, up 1.5%, with a 70bps improvement year-on-year in gross margin. The improvement reflected several factors including a positive FX tailwind, stock loss improvements and a continued focus on buying efficiencies. These were partially offset by softer motoring sales growth in the year.

Group operating costs increased by 4.3% in the year, with Retail costs up 5.0% and Autocentres costs up 1.7%. The year-on-year movement principally reflected inflationary increases and strategic investment for the future growth and sustainability of the business. These costs were partially offset by the reduction in incentive payments year-on-year. Costs within H2 were well controlled, with Retail costs at 2.0%, an improvement against the 3.0% guidance provided at the Interims.

Underlying Profit Before Tax of £58.8m was a decline of £12.8m on last year. The decline was driven by a lower motoring mix year-on-year due to mild winter temperatures, weakened consumer confidence in the run up to Christmas, retail cost inflation and investment in strategic projects. Underlying Basic Earnings Per Share at 24.5p were down -17.2% in the same period. Profit before Tax of £51.0m was -24.0% down year-on-year. Basic Earnings Per Share were 21.2p, down 23.7% year-on-year. Profit after tax for the year was £41.9m, down -23.4% year-on-year.

Cash generation remained strong, with Free Cash Flow of £42.7m, up £1.2m on last year. Despite unseasonal weather and "Brexit" related challenges, the Group reduced stock holding by £11.9m in the year through effective inventory management. Net debt of £81.8m at the end of the period was £6.0m lower than the prior year end. Net debt to Underlying EBITDA at the period end was 0.8:1 on a rolling 12-month basis (FY18: 0.8 times).

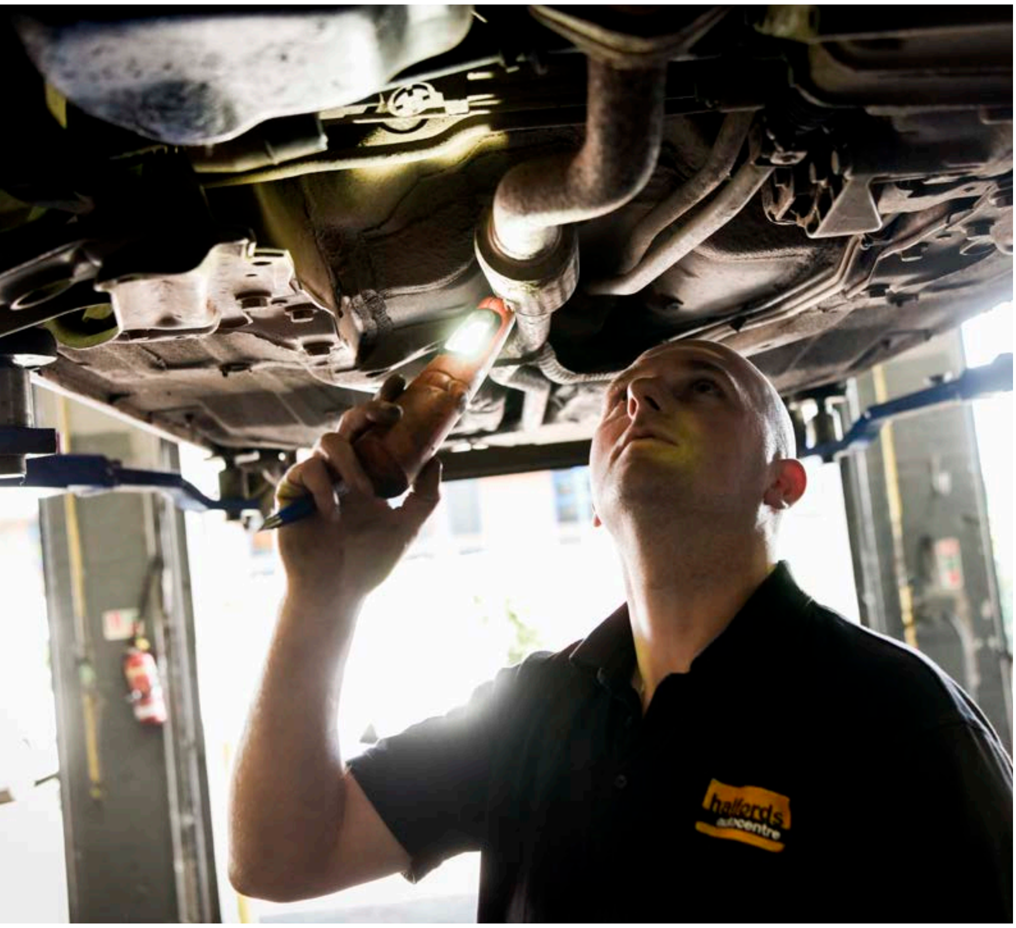
The Board has proposed a final ordinary dividend of 12.39 pence per share (FY18:12.03 pence) which would take the full-year ordinary dividend to 18.57 pence per share, an increase of 3.0% on the prior year. If approved, this will be paid on 30 August 2019 to shareholders on the register at the close of business on 26 July 2019.

Operational Review

In Retail, sales were £977.2m, which were +0.8% up on an LFL basis. Cycling sales increased by +2.6% on a LFL basis, reflecting strong growth in our own brand and exclusive range of electric bikes and parts, accessories and clothing ("PACs"). Motoring LFL sales declined by -0.4% in the year, impacted by extremely mild winter temperatures. Bulbs, blades and batteries ("3Bs") and associated winter products were in LFL decline.

Despite tough comparators, Retail delivered positive LFL growth in Q4. Cycling performance, at +12.4% LFL, more than offset the decline in Motoring performance of -5.4% LFL. Temperatures on average were 70% milder in the quarter versus last year.

Sales of E-Bikes continued to perform well in the year, highlighting the strength of our own brand and exclusive brand propositions. E-Bikes now account for 11% of total bike sales across the group and have grown 47.2% on a LFL basis. We continue to inspire our customers by further strengthening our cycling specialist credentials via agreements with Brompton and Scott (exclusive to Cycle Republic) to sell their products across the Halfords Group, as well as an exclusive deal with G-tech.



Retail gross margin increased by 60 bps in the period. The improvement reflected several factors including a positive FX tailwind, stock loss improvements and a continued focus on buying efficiencies.

These benefits were partially offset by the negative motoring mix year-on-year and increased price investment in branded products, driven by market competitiveness.

Retail operating costs increased by 5.0% to £410.5m. Retail cost growth in H2 was well controlled at 2.0%, an improvement against the 3.0% guidance given in our Interim statement. The full-year cost increase primarily comprised the following: 1) inflationary impacts; and 2) strategic investment for the future growth and sustainability of the business. These costs were partially offset by a reduction in incentive payments year-on-year.

Total Autocentres revenues were up +2.6% on a LFL basis, reflecting strong growth in sales of servicing, tyres and MOT. The strong progress of the Autocentres transformation plan continued into H2, delivering tangible benefits. EBIT increased significantly by 34.1% to £5.5m in the year. A clear focus on the operating model, along with good revenue growth and tight cost control, led Autocentres to a second year of profit growth.

During the period we opened three Cycle Republic stores, a Boardman "Wind Tunnel" Performance Centre, two Autocentres and rolled out two more mobile vans, extending our Halfords Mobile Expert trial to three cities. We closed six Halfords Retail stores, a Tredz concession store and one Autocentre.

Group service-related sales, which consist of the revenue generated from paid fitting and repair services plus the associated product attached to the transaction, continue to be in growth in the year. The number of service jobs completed increased by 4.0% in the period, with service-related sales now accounting for 24% of the overall Group sales.

Chief Executive's Statement

In Retail, 42% of 3B's sold were fitted to customers' cars by our colleagues ("penetration"). Despite a decline in 3Bs product sales, due to an extremely mild winter, penetration was up 40 bps year-on-year. This continues to reflect the increasing relevance of our services proposition to the growing proportion of 'do-it-for-me' customers. The number of on-demand services available in retail stores increased to 80 in the year (vs 30 services in FY17), with the trial of on-demand services delivering promising results in Autocentres.

Sales through financial services, through a strengthened customer offer, grew 30% year-on-year with financial services now representing 5% of total group sales.

Group online sales were up +9.5% in the period, with 20% of our total Group sales now being delivered through our online platform. The importance of our store network and service overlay continues to be highlighted by the strength of our Click & Collect proposition, with around 83% of online orders made through Halfords.com being collected in store.

The continued investment in understanding our customer means the Group can now match 75% of its total customer transactions. The number of customers shopping across the Group has increased by 7.2% year-on-year, accelerated by the "Free MOT" promotion earlier in the year.

Investment in our colleagues has remained paramount during the year, from capability building within the executive team through to investment in our store colleagues to ensure they have the right training to support our customers. Halfords came 15th in the Sunday Times Best Big Companies To Work For survey.

In response to the increasing relevance of electric and hybrid motoring technology, over 500 Autocentre technicians have been accredited to the Institute of Motor Industry ("IMI") Level 2. Autocentres were also awarded the Garage Chain of the Year award by CAT (Car and Accessory Trader) in March 2019.

Brexit

There remains a considerable amount of uncertainty as to how and even whether, the UK will exit from the EU. This uncertainty continues to have an impact on the Halfords Group, in the areas highlighted below:

- impact on exchange rates. The Group buys a significant proportion of its goods in US dollars; between $200m and $300m a year. As previously guided, the majority of our US dollar sourcing is for cycling products. However, over the last 18 months the group has focused on looking at near sourcing opportunities, moves in appropriate products areas have already been made, including bikes.
- prolonged uncertainty over exit terms and continued weakness in Sterling could lead to a slowdown in the UK economy and, consequently, a further weakening of consumer confidence, impacting trading conditions for the Group. Working groups have been held throughout the year to identify, assess and implement mitigations for the risks of a hard Brexit. However, Halfords has strong positions in fragmented motoring and cycling markets, and a service-led offer that differentiates us from our competitors, both physical and online.

Summary and FY20 Outlook

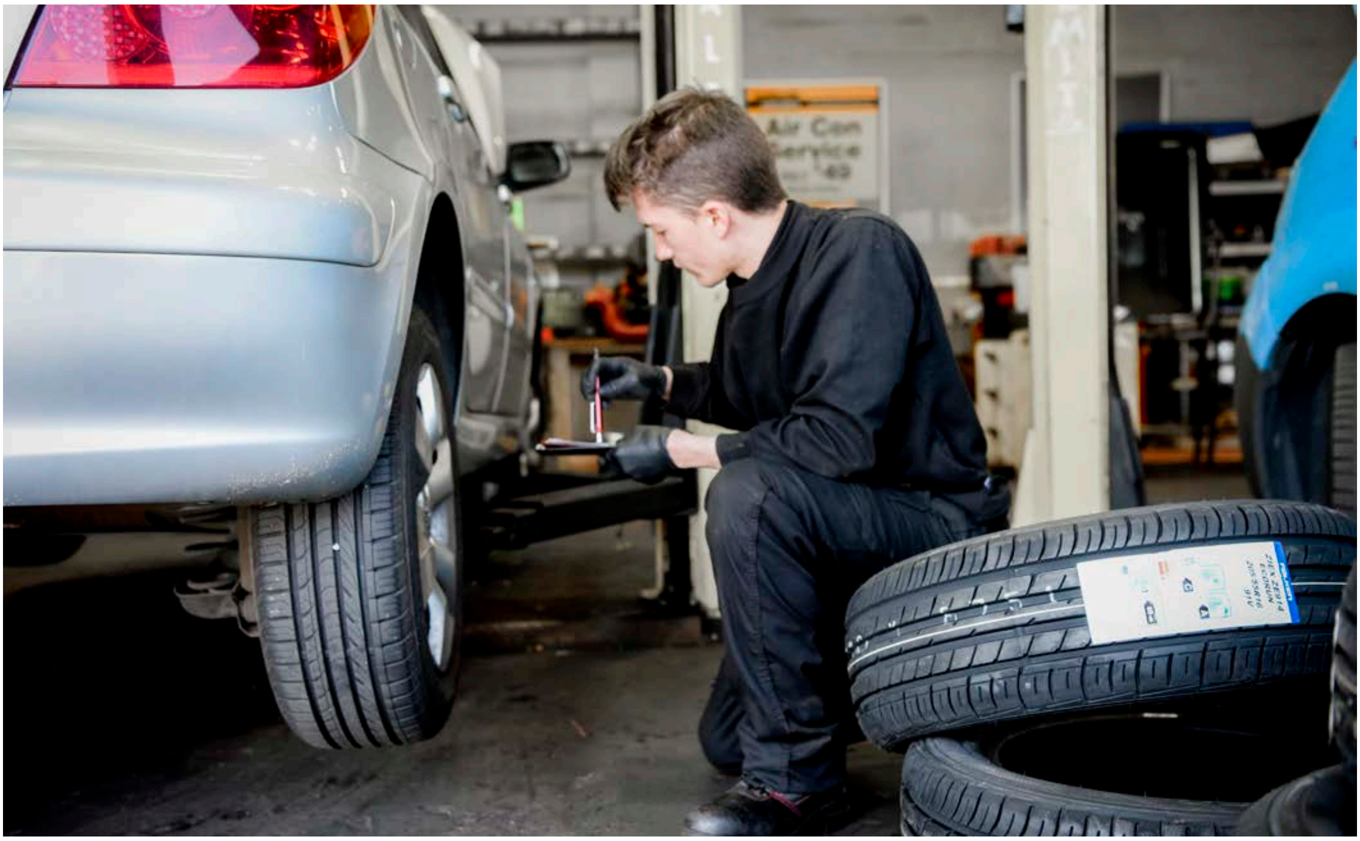
In summary, despite a challenging UK consumer environment, the group delivered like-for-like sales growth in both Retail and Autocentres and continues to make positive progress against the new strategy.

Autocentres delivered a second year of profit growth, with continued focus on the operating model, as well as good revenue growth and tight cost control.

Group operating costs were well controlled in the second half of the year and the continued focus on working capital efficiencies drove a £11.9m reduction in Group stock year-on-year. The Group continued to be cash generative with Free Cash Flow of £42.7m up £1.2m year-on-year, which supports the final dividend payment of 12.39p in the year (FY dividend payment:18.57p; +3% year-on-year).

The Group reconfirms its guidance on FY20 Profit Before Tax to be broadly in line with FY19. Our view assumes average weather conditions across the year and a consumer and economic outlook broadly similar to that experienced during the second half of FY19. We remain confident in our ability to generate consistent levels of Free Cash Flow which, for FY20, will be underpinned primarily by working capital efficiencies.

Specifically, whilst we remain confident in the long-term growth prospects for the cycling market, we expect short-term underlying economic conditions to continue to be challenging. Even though Q2 and Q4 this year saw a strong performance driven by the weather, cycling continues to be a discretionary, big ticket category and is not immune to consumer uncertainty.



Unsurprisingly, bike volumes overall have been subdued across the market in FY19. While motoring tends to be a more resilient category, key product areas are impacted by weather extremes. A more normalised weather pattern should see a strengthening of winter category sales but, for big ticket, discretionary items, sales remain vulnerable to consumer confidence.

Given the economic backdrop, we expect underlying sales growth to be muted in FY20. Although it is still early in the delivery of our strategic transformation, we believe that progress in visible customer initiatives, such as a strengthened financial services offering, will deliver a modest boost to sales. Underlying operating cost growth in FY20 will reflect inflation, employment costs in relation to changes in case law and an increase in incentive costs year-on-year. Any increase in costs driven by strategic investment in FY20 will be self-funded through rigorous cost efficiency plans, such as goods not for resale ("GNFR") and goods for resale ("GFR") programmes. Despite the factors driving the underlying cost increase, we expect cost growth overall in FY20 to be lower than FY19.

As already noted, the current economic environment and consumer confidence continues to remain challenging, as a business we are having to respond accordingly by continuing to put greater emphasis on improving our cost base and maximising efficiencies across the Group. The emphasis on cost and efficiency will continue to be a key priority for FY20, and within the current economic environment is key to underpinning profit growth in FY21.

We continue to believe our customer strategy to be the right direction for the long-term sustainability of our business, the delivery is likely to take longer than we expected as we adapt the plan to the current environment. Capital investment is likely to be c.£35m, which is slightly below the £40m to £60m guidance for FY20, revenue investment will be self-funded via rigorous cost-efficiency programmes.

The Board is confident that the customer strategy remains right for the long-term sustainability of the business and that near-term performance is robust and underpinned by cost savings and working capital opportunities.

Graham Stapleton
Chief Executive Officer
21 May 2019

1 *Inspire* our customers through a differentiated, super-specialist shopping experience

Read more on our Strategy on pages 24 to 27

Our Marketplace

Motoring Market

Halfords Group addresses two distinct areas of the UK's highly-fragmented motoring market - car parts, accessories, consumables and technology; and car servicing and aftercare. From the perspective of the former, there is no single equivalent competitor. In respect of the latter, there are over 30,000 garages in the UK, an estimated two-thirds of which are small independents.

Car Parts, Accessories, Consumables and Technology

Key Facts

>£3bn
Market size

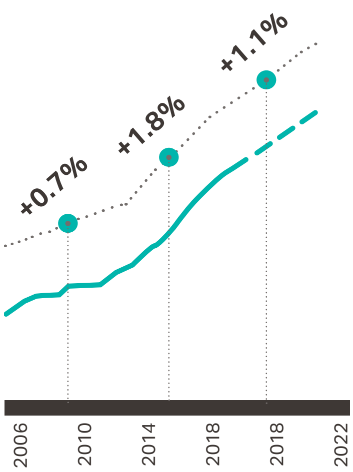
20%
Our market share

2+%
Forecasted Market Growth

Market Trends

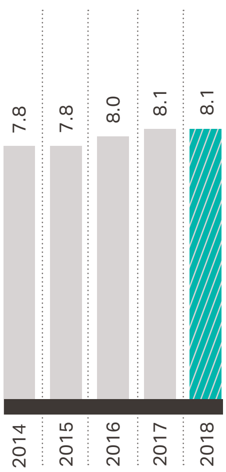
The UK car parc has exhibited steady growth . . .

UK Car Parc



. . . with the average age of cars gradually rising

Average Age of UK Cars



Our response

Car parts, accessories, consumables and technology

Our strong heritage and brand means Halfords is a destination for consumers who want assistance with their cars. We continue to make progress in our markets through investment in our stores and colleagues to help deliver innovative products and services to our customers when and where they want them.

Car Servicing and Aftercare

Key Facts

>£9bn
Market size

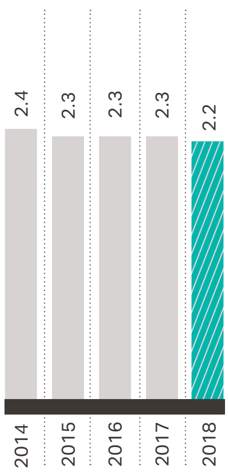
2%
Our market share

2+%
Forecasted Market Growth

Market Trends

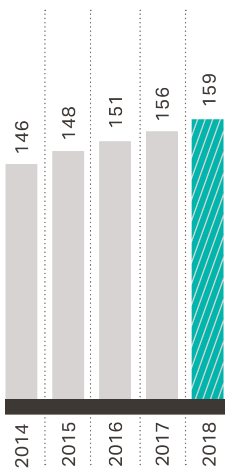
Cars are becoming more reliable . . .

Visit to Garage Per Year Light Vehicle – Frequency



. . . but more expensive to fix

Average Visit Spend – £



Our response

Car servicing and aftercare

We will continue to invest in equipment and colleague training in order to remain at the forefront of technological changes. This will give us a competitive advantage in a fragmented market of independent operators.

Specifically, we have made significant progress in providing industry-accredited training to Autocentres colleagues in the servicing and maintenance of hybrid and electric vehicles.

Motoring Market – Competitor Landscape

Car products and related fitting

- Limited number of specialists but a highly diverse and competitive set of retailers
- Limited retail bricks and mortar competition
- Wholesalers and generalists moving into specialist retail markets with strong omnichannel offer
- Supermarkets and garage forecourts continue to sell a limited range of high-volume, high-margin products
- Independent garages offering car parts and associated fitting

How is Halfords Group different?

Our 125-year heritage has established Halfords as a household name, with over 90% of the UK population living within 20 minutes of a Halfords store. We have many outstanding strengths that differentiate us, notably our diverse product range and our colleague expertise. Significantly, we have an established and growing ability to provide services on demand in-store.

Car Servicing

- Technological advancements limit scope for effective delivery by independents
- Car dealerships expanding into used car servicing
- Some evidence of sales aggregation (e.g. My Car Needs A…) and mobile services entrants (e.g. Tyres On The Drive)

How is Halfords Group different?

Via our Autocentres, Halfords Group offers great value and convenience for UK consumers of car servicing, repairs and MOT compliance. The strength of our brand and the scale of our store and garage estate enables us to invest in the most up-to-date equipment and technology. We have recently begun trialling Halfords Mobile Expert which delivers elements of car servicing, such as battery replacement, tyres and diagnostic checks, direct to the customer at their home or workplace.

Long-term market trends

As UK motorists become more engaged with issues affecting their impact on the environment, they are seeking ways of mitigating against them. At the same time, the Government has increased taxation of diesel cars. As a result, 2018 saw a c.30% reduction in diesel car registrations and an increase in petrol registrations of 9%. Significantly, hybrid and electric registrations were up 21%. Although relatively low volume in comparison, this trend continues to gain momentum.

Cars are becoming more complex. Alongside advances in engine technology, cars are being equipped with an increasing number of intelligent features in order to meet the rising expectation of consumers. Obvious examples include mobile telephone technology enabling the legal and safe making of calls on the move, and advanced satellite navigation capability. The long-term expectation will be that all devices will offer an integrated ‘always-on’ flow of information.

Autonomous cars, whilst a futuristic concept, are the focus of significant investment by global innovators such as Google and Tesla. Many new cars are now partially-autonomous, providing lane change assistance, parking assistance and adaptive cruise control. There is a high probability that children born today may never need to drive a car.

All of these disruptive changes mean that it is becoming less likely that car owners will possess the knowledge or equipment to replace worn parts or service their own cars in the future. The increasing demand for a ‘do it for me’ proposition will continue to rise.

Our Marketplace

Cycling Market

The cycling market is highly fragmented, with an estimated 2,500 bike shops in the UK, the majority of which are independently owned. Our research shows that these shops are closing at an average of 10% per year. Halfords Group is the market leader, with strong brand awareness in bicycles, parts, accessories and clothing.

Cycling

Key Facts

Overall

>£2bn
Market size

19%
Our market share

2%
Forecasted Market Growth

Our response

Cycling

Market leaders lead from the front. To do so, we continually develop ways in which to leverage the market. Through our partnership with the Government-supported Bikeability scheme, we help deliver vital cycling proficiency skills to schoolchildren and our support for corporate Cycle-to-Work schemes enable us to bring innovative services and products to a large and diverse market. A great example of this is our recent release of the Cybic Legend range – the world's first Alexa-connected 'smart bike'.

Performance Cycling

>£0.7bn
Market size

9%
Our market share

1.5%
Forecasted Market Growth

Our response

Performance Cycling

As the cycling market continues to grow, we know the importance of keeping pace with latest trends. We have invested in the growing popularity of E-Bikes; growing our proposition through targeted marketing and by offering products and services for which we know strong demand exists, such as the Brompton E-Bike and E-Bike servicing plans.

As a result, we are one of the UK's leading retailers in the emerging E-Bike market and have trained colleagues in every store to deliver E-Bike servicing and maintenance.

Cycling Market – Competitor Landscape

Mainstream Cycling

- Predominantly generalist competitors with own-label bikes
- Limited online penetration in mainstream bikes
- Physical service locations are important
- Cycle-to-Work continues to be an important driver
- Major sports retailers starting to diversify into cycling e.g. JD Sports / Go Outdoors

How is Halfords Group different?

Halfords Group boasts the biggest and most popular cycle brand in the UK – Carrera. We also sell other own brands for both children and adults. Our stores are conveniently-located, and our online platform provides support and information to help customers choose the product and services they want.

Many customers take advantage of our Click & Collect offer, placing orders online via our website and picking up from a designated store at a time which is convenient to them. This also drives positive store footfall. Additionally, we are a leading partner of the UK's Cycle-to-Work scheme; supporting sales and introducing new customers to our brand.

Performance Cycling

- Predominantly branded bikes
- Traditional specialists and independents struggling
- Big brands starting to go direct to customers
- Online pure-play continuing to grow and consolidate
- Physical service locations are important
- Cycle-to-Work is an important driver

How is Halfords Group different?

Through Tredz and Cycle Republic, Halfords has a strong and increasing foothold in the performance cycling market. Offering products and services of particular appeal to performance cyclists has contributed to growth in the overall number of customers. Cycle-to-Work vouchers can also be redeemed at both Tredz and Cycle Republic stores, contributing significantly to the ongoing success of that partnership. Both brands' bold online presence differentiates them from the independent cycle shop community and helps them stay relevant and competitive in a challenging market environment.

Long-term market trends

Looking ahead, we continue to see good growth prospects for the cycling market. Participation levels in the UK remain lower than in many other European countries, particularly among the female population. Government-led schemes and investment in cycle-friendly city infrastructure continues to support a positive future outlook.

In addition, consumers are increasingly engaged with issues which affect the environment and which influence the living of a healthy lifestyle; both of which are intrinsically linked to the benefits of cycling.

The advent of E-Bikes – power-assisted cycling – is serving to widen the market by providing cycling opportunities for older generations and consumers less physically able. E-Bikes are rapidly growing in popularity and, if the UK trend continues to mirror those experienced in Germany and the Netherlands, the expectation is that E-Bike sales will increase from the current level of 8% of all bikes sold, to around 20% over the next few years.

Finally, existing participants in the cycling market are willing to spend more on their cycles and accessories. As a result, whilst volume is predicted to remain relatively flat, the value of the market will grow via demand for cycle and accessory upgrades or additional cycles for a different style of riding.

Whilst the unpredictability of the weather will continue to impact the timing of purchases, the overall trends in the market are positive and show that scope for growth remains.

Our Marketplace

Macro-customer trends

DIY to DIFM

Consumers are increasingly moving from a 'Do It Yourself' to a 'Do It For Me' mindset. Our research shows that 70% of people are too time-poor or lack the necessary skills to carry out DIY tasks. As cars become increasingly complex, we expect this attitudinal shift to intensify further; resulting in increased demand for specialist knowledge and equipment.

Link to strategy
2

Convenience

Consumers' lifestyles are getting busier, free time is becoming more valuable, and consumers want retailers to fit around their routines, at some levels wanting everything at the click of a button. Our customers want the problem with their car or bike fixed as easily as possible and when it suits them, even if the convenient solution comes at a higher price.

Link to strategy
2

Sustainability

Sustainability is a rapidly growing trend in the world of Retail with consumers being increasingly mindful of 'Green' living, reduction of plastic consumption and ethical recycling. The impact that we are having on the world and the footprint we are leaving behind is a concept that is set to shape markets in the future.

Link to strategy
3

Less Brand Loyalty

Online searching and comparison is challenging traditional notions of brand loyalty. Alternative products offering better value or convenience can be identified within seconds; making brand loyalty harder to earn and maintain without possessing a compelling unique selling point.

Link to strategy
3

Personalisation

Personalisation is a key way of standing out from the vast array of competitors. Enabling customers to feel valued through personalised communications or products is a good way to build strong relationships and drive loyalty.

Link to strategy
1

Move from Owning to Using

Economic uncertainty and Brexit-related nervousness reduces consumer willingness to purchase 'big ticket' items. Instead, consumers are choosing to rent these items rather than buy, a good example being leasing and driving a car under the terms of a PCP scheme instead of purchasing up front.

Link to strategy
1

Omnichannel Shopping

Modern consumers expect a seamless shopping experience across all channels. We want to ensure that our increasingly popular online proposition also continues to entice customers into our stores. Our aim is to support the continuation of a frictionless customer journey via the provision of additional service and expertise by our in-store colleagues.

Link to strategy
1 2

Experiences over Product

The popularity of experiential shopping is continuing to increase. Retailers and retail parks are building non-core concessions and entertainment concepts, turning one-off 'impulse' visits into 'destination' shopping experiences.

Link to strategy
1

Key to strategic link

1 *Inspire*

2 *Support*

3 *Lifetime*

Read more about Our strategy on pages 24 to 27


halfords

Our Business Model

Effective utilisation of our resources and relationships are an integral part of our plan to drive long-term sustainable growth

Our model is underpinned by our financial discipline, astute purchasing and strategic investments.

Resources and relationships

Colleagues
Training and accreditation, such as our 3-Gears training programme in Retail or our electric / hybrid vehicle maintenance training in Autocentres, ensures that consistent product knowledge and service reaches our customers across all locations.

Partners
Halfords is proud to work with distributors and other industry partners to drive our business forward, supporting the sale of our products and services and enabling us to work with communities across the UK.

Brand
Halfords is the nations go-to-retailer for motorists and cyclists. We have a range of exclusive and highly-regarded brands, including Apollo, Carrera and Boardman in Cycling, as well as our Halfords Advanced ranges in Motoring.

What we do

Motoring
Offer car parts, accessories, consumables and technology to our customers meaning we are a destination for customers who want any assistance with their cars.

Autocentres
Provide trusted and specialist car services, MOT and repairs.

Cycling
Lead the market in selling bicycles, parts, accessories and clothing. Our colleagues are highly trained and provide customers with expert knowledge and advice.

Read more in Group at a Glance on page 04

How we do it

1 *Inspire*
- **Inspire** our customers through a differentiated, super-specialised shopping experience.
- Become a super-specialist, increasing our core motoring and cycling products.
- Lead and differentiate our markets with customer-led innovation.
- Improve our customer shopping journey online and in-store bringing Halfords products and services together.

Read more about 'Inspire' on page 25

2 *Support*
- **Support** our customers through an integrated, unique and more convenient services offer.
- Unify our services identity across the Group
- Improve services for our customers via a unique and more convenient proposition combining physical estate with online and mobile services

Read more about 'Support' on page 26

What makes Halfords Group different

A scaled business
Halfords has 797 locations in the UK from Retail stores to Autocentres, Performance Cycling stores and our fleet of Halfords Mobile Expert vans. We continue to invest in our business, both the physical and online estate, ensuring that we are fit for the future and making us even more relevant and convenient for our customers.

Strong heritage and brand awareness
Halfords is a household-name retailer with 125 years of heritage and a strong brand. Our products and services – such as our WeFit offer – are well established and have high awareness across the UK.

Engaged colleagues
Our colleagues are at the heart of our business and have passion, dedication and a "can do" attitude making them the driving force behind our success as a business. Colleagues benefit from great training through our Gears programme and we continue to invest in them, ensuring they can deal with the latest industry products and services.

Our integrated approach to sustainability keeps economic, social and environmental considerations in mind, as well as the material issues of our stakeholder groups to inform our model and operations.

Infrastructure/Assets
Our estate of convenient Retail stores, Autocentres and mobile vans combined with our efficient distribution network.

Financial
Given the prudent balance sheet and cash generative nature of the business means that over the years we have invested in appropriate systems, capabilities and people that help support and grow our business.

3

Lifetime

- Enabling a **lifetime** of motoring and cycling.
- Grow our business via the acquisition of new customers, harnessing the scale of the Group
- Drive customer loyalty and retention via loyalty programmes optimising lifetime value and advocacy

Read more about 'Lifetime' on page 27

We make four promises to our customers:

- **Fair pricing**
- **Range you can rely on**
- **Quality you can trust**
- **Service that differentiates**

Customer journey
Many customers take advantage of our Click & Collect offer, placing orders online via our website and picking up from a designated store at a time which is convenient to them, driving positive store footfall.

Outputs

Long-term value creation

Colleagues
Developing, rewarding and investing in our c.10,200 colleagues so that they are engaged and driving our long-term sustainable growth ambitions.

Read more about our colleagues on pages 34 to 37

Community
Building relationships with suppliers, customers and the communities around us.

Read more on pages 38 to 39

Brand
Developing our brand through innovation and expertise.

Infrastructure/Assets
Maintaining and developing our infrastructure and sales channels to strengthen competitive advantages.

Financial
Generating good returns to our shareholders through effective management of our financial resources.

Read the Chief Financial Officer's Report on pages 44 to 49

Environmental
The environmental resources that Halfords utilises in its operations.

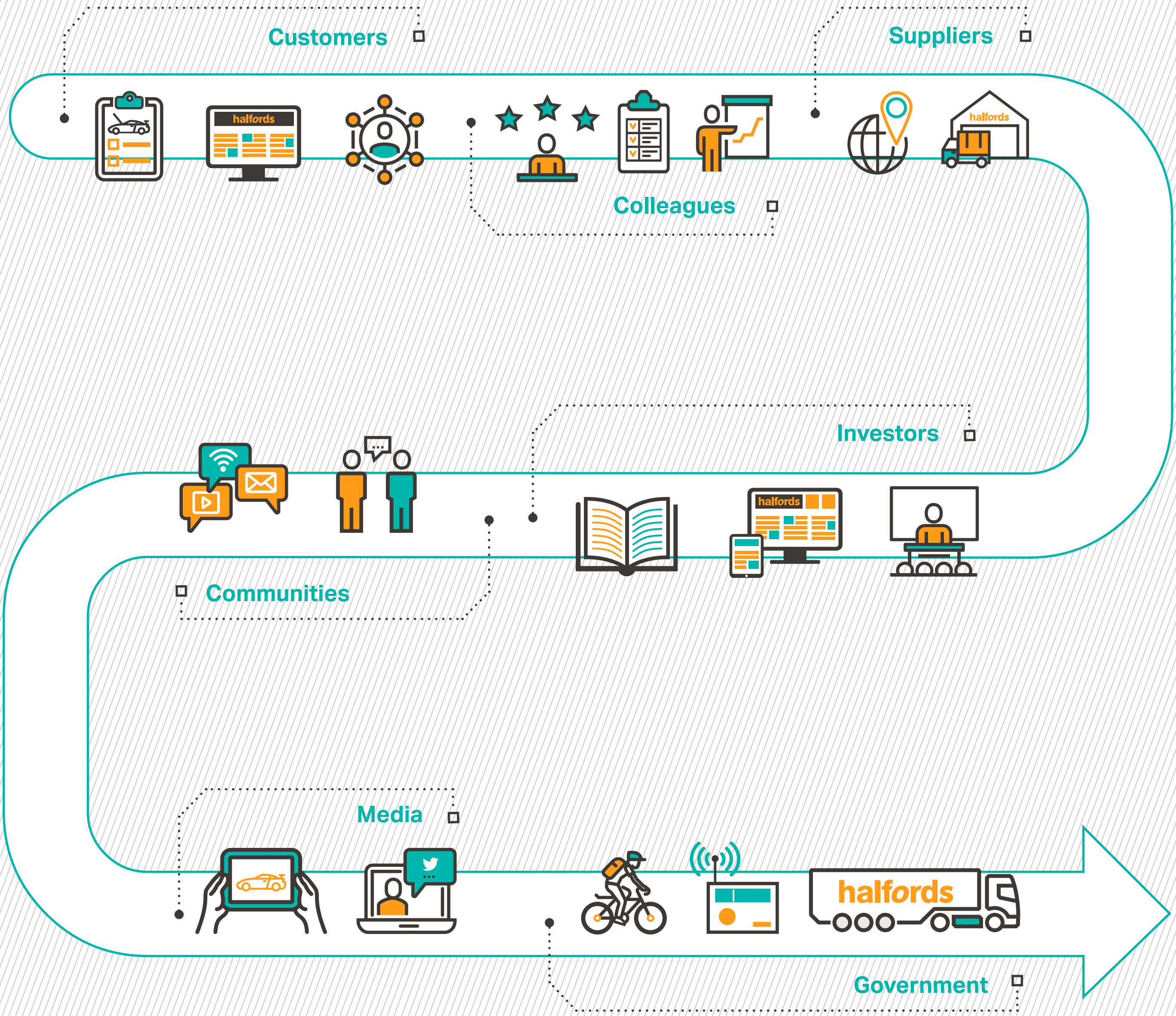
Read more on pages 40 to 41

This icon is used to indicate content on the outputs of the business model.

Stakeholder Engagement

We have set out over the next two pages the nature and quality of our key stakeholder relationships

Effective utilisation of our resources and relationships are an integral part of our plan to drive long-term sustainable growth. Our model is underpinned by our financial discipline, astute purchasing and strategic reinvestments.



Stakeholder	Why it is important to engage	Ways we engage	Stakeholders' key interests
Customers	Understanding our customers' needs and behaviours allows us to deliver relevant products and services, retain customers and also attract new ones. It also identifies opportunities for growth.	• Satisfaction surveys • Rewards • Commercial website • Social media engagement	• Availability of services • Customer service • Convenience • Ranges
Colleagues	Interactions with our colleagues are the main ways that customers experience the Company's brand. Our colleagues are fundamental to the achievement of our customer experience ambitions and are the cornerstone of our service and services proposition.	• '3-Gears' training programme • Listening: surveys and colleague groups • 'Aspire' store management development courses • Recognition and reward • Apprenticeship programme	• Career opportunities • Wellbeing • Training and development • Pay and conditions • Colleague engagement
Suppliers	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, in order for us to deliver market-leading products and services.	• Far East trading office developing mutually beneficial relationships • Logistics efficiencies and environmental management • Supplier conferences • Infrastructure	• Quality management • Cost efficiency • Ethical Trading policy • Long-term relationships
Investors	As a publicly listed company we need to provide fair, balanced and understandable information to instil trust and confidence and allow informed investment decisions to be made.	• Annual report • RNS announcements • Annual General Meeting • Investor presentations • Corporate website • One-on-one meetings	• Operating and financial performance • Dividend • Risk information • Access to Management • Future-oriented information
Communities	Ensures continued viability of the business into the long-term. We aim to contribute positively to the communities and environment in which we operate.	• Community investment initiatives • Media channels • Re-cycle initiatives • Prison initiatives	• Impact of Group activities on the wider community • Corporate Social Responsibility ("CSR") agenda
Media	Ensures transparency of information on the business. As a business-to-consumer company, we need strong multi-channel exposure to connect with customers and our wider stakeholder audience.	• Product videos and peer reviews • TV and radio advertising campaign • Email and PR customer engagement • Improving Twitter, Facebook and Youtube content	• Reliable range, product and pricing information • Transparency of reliable and timely Group information
Government	Policies and regulatory changes may provide opportunities and pose risk to our operations. Working closely with the Government ensures that our products and services evolve.	• Cycle-to-Work policy campaigning • DAB radio working groups • Driver training and vehicle safety enhancements • Engaging with VOSA, DVLA, TSI, ASA and HSE	• Transport policies and schemes • CO_2 reduction strategies

Our Strategy

To *Inspire* and *Support* a *Lifetime* of motoring and cycling

Halfords is a household-name retailer with 125 years of heritage and a strong brand. During that time, we have seen the dramatic evolution of the car and the bicycle; new and innovative products come and go; and customer requirements evolve. Our core focus is on providing our customers with the products and services they need, whenever and wherever they require them.

Our new strategy builds on our core strengths but seeks to make transformational changes to the business in order to solidify our position as market leader in the categories that matter most to us and our customers. In developing this strategy, we have conducted extensive research with customers across the UK, analysed market trends and investigated the wider macro trends affecting the UK.

This has helped us create a strategy which will ensure we stay relevant to our existing customers; are able to attract new customers; and stay ahead of the evolving retail landscape by scaling a convenient and differentiated services business.

Strategic component	Description
1 *Inspire* our customers through a differentiated, super-specialist shopping experience	• General-specialist to super-specialist • Lead and differentiate our markets with customer-led innovation • Redefine and further differentiate our own label ranges • New customer experience in stores and garages, linking online and offline journeys • Enhance our cycling specialism with investment in our Performance Cycling business
2 *Support* our customers through an integrated, unique and more convenient services offer	• Offer convenience though an integrated and expanded 'on-demand' service proposition across stores, garages and mobile • Enhance the digital customer journey from booking through to service delivery • Enhance our unique position in E-Bike servicing and hybrid and electric vehicle servicing with the most fully trained technicians outside the dealer network • Increase awareness of Halfords services by leveraging the Halfords brand
3 Enable a *lifetime* of motoring and cycling	• A more focused and targeted approach to loyalty at a Group level in order to optimise lifetime value of our customers • Accelerating the development of our Customer Relationship Management ("CRM") programme, offering compelling reasons for our customers to return • Fully leveraging our Single Customer View and increasing the investment in customer data management

1 *Inspire* our customers through a differentiated, super-specialist shopping experience

Where we are now

Specialism
We are currently a 'generalist' with a focus on motoring and cycling but also a range of other loosely-associated product categories. Our customers tell us that this generalist approach undermines our aspiration to demonstrate specialist credentials.

Innovation
Innovation is industry-led with unique products comprising a very small proportion of our ranges. We have a good own-brand product range, but this is not highly differentiated.

Customer Experience
The customer experience is improving with a strong 'Click & Collect' online proposition delivering growth in performance. However there are significant opportunities for improvement, such as upgrading our estate, leading on services, and defragmenting our online and offline customer journeys.

Where we will be moving to

Specialism
We will become a super-specialist by:

- Reducing our non-core products
- Increasing our online ranges of motoring and cycling products
- Investing in training with even greater focus on specialism
- Enhancing our cycling specialism credentials via growth in our Performance Cycling business; adding exclusive brands to our range; and strengthening strong, collaborative relationships with our key suppliers

Innovation
We will lead and differentiate our markets with customer-led innovation by:

- Utilising customer insight to develop products we know they want and need
- Investing in a focused innovation team to develop new and truly unique products

Customer Experience
We will improve our customer shopping journey online and in-store by:

- Bringing Halfords' services and products together on one website
- Focusing on personalisation by leveraging our Group-wide Single Customer View
- Integrating the Services booking experience to include nearest available location and timeslot
- Enhancing store and autocentre facilities and layouts

Case Study

During Q3, Halfords made significant changes to the range of bulbs that are offered in-stores and online. In our stores, the space given to bulbs was reduced from seven bays to four and our overall bulb SKU count reduced by 36%.

The journey that customers experienced became simpler by removing the complexities from the range and improving the in-store marketing. In our range of Halfords own-brand bulbs, we have implemented a clear 'Good', 'Better', 'Best' range to further simplify the customer shopping experience, and for brand loyal customers we have simplified selection and offer such customers GE-branded bulbs in addition to our own-brand products.

Since implementation, the amount of stock we hold in our warehouses has reduced by 20% but we have continued to maintain our high standards of being able to offer a bulb for 97% of the car parc. Our customers have responded well to the changes we have made, demonstrated through our customer rating scores being up year-on-year.

Priorities for the year

- One Group website that is faster and more dynamic
- Better store layouts which are easier to shop
- More ranges of own-brand products
- Developing plans for enhanced in-store experience
- Improved in-store and in-garage systems and selling tools

Our Strategy

2 *Support* our customers through an integrated, unique and more convenient services offer

Where we are now

Integrated
Services are a core part of our business, but our services businesses are not integrated, e.g. we have separate Retail and Autocentres websites.

Unique
We have a number of differentiated services, such as our 3Bs (Blades, Batteries and Bulbs) fitting, but there is an opportunity to do more. For example, there is low awareness of our E-Bike servicing and hybrid car servicing capabilities.

Convenient
The average drive time for a member of the public to a Halfords Autocentre is 30 minutes. However, we know customers want a drive time of no more than 20 minutes. In addition, the manual booking process is difficult to navigate and needs to be improved.

Where we will be moving to

Integrated
We will have a unified services identity across the Group through:

- One seamless website, combining Halfords Retail and Halfords Autocentres
- We-Fit services available on demand in garages
- Digital colleague booking process and control of service delivery

Unique
The introduction of Halfords Mobile Expert (HME) provides:

- A comprehensive mobile mechanic offer covering over a quarter of UK households via a fleet of vans
- The option of having services performed at the customer's home or place of work, with bookable time slots
- 12 service offerings including battery and tyre repair and replacement; air conditioning service; and windscreen chip repair

Convenient
Convenience will be improved by:

- Combining our physical estate with a consistent mobile services offer and increased availability
- Future roll-out of garages to reduce average drive time from 30 minutes to 20 minutes
- Roll out of HME services to major urban areas

Case Study

The year has seen us increase our focus on mobile servicing through Halfords Mobile Expert. We now have a comprehensive offer covering a quarter of UK households via our fleet of mobile vans.

Through Halfords Mobile Expert, customers can have a wide range of services provided at a location convenient to them. Services include tyre replacement, battery fitting, air conditioning top up, windscreen chip repair as well as oil and fluid replacements and car diagnostic checks.

There has been a strong positive reception to Halfords Mobile Expert, receiving excellent customer reviews across the board. The ability to have these products and services delivered to your door seven days a week is appealing to our customers and it will open up a new route to market, with us able to reach customers who otherwise would not be Halfords customers.

Our goal is for our customers to be able to purchase a product or service on our website and choose where to have it fitted – in a retail store, in an Autocentre, or fitted at their home through Halfords Mobile Expert. Crucial to this is the booking platform in which we are investing, and which will unify all of our businesses via a single portal.

Priorities for the year

- Group booking platform through one Group website
- Extension of the PACE platform in Autocentres allowing us to actively monitor and improve utilisation across the estate, facilitating a paperless operation
- Trial of a new garage format across our Autocentres estate
- Further investment in Halfords Mobile Expert
- The roll-out of on-demand services is being expanded to a regional trial

3 Enable a *lifetime* of motoring and cycling

Where we are now

Strong Customer Platform
We have a customer database of 22 million which has increased our ability to personalise our interactions and maximise customer value via predictive modelling.

Loyalty Programmes
We currently have limited and fragmented loyalty programmes. Our Cycle Republic Rewards Card customers spend more than double that of other customers whilst our Tradecard customers visit five times more often than non-Tradecard customers.

Where we will be moving to

Customer-led Action Culture
We have started to drive meaningful action from our insight which has been used to:

- Define future range decisions
- Change the labour operating model to better reflect customer needs
- Obtain a greater understanding of customer pain points and moments that matter
- Offer a Group-wide Financial Services offer

Loyalty and Retention
We are now ready to more actively drive customer loyalty and retention by:

- Supercharging our CRM programme, providing compelling reasons for customers to return to our brand
- Building cross-Group loyalty programmes to optimise lifetime value and advocacy

Case Study

The partnership between Halfords and the Bikeability Trust will help 25,000 primary school age children access cycle training in England.

To date, £150,000 of Halfords funding has been fed into a new 'Innovation Fund' being administered by The Bikeability Trust which teaches children to cycle 'competently, confidently and proficiently' on the roads.

Each of the 400 Bikeability providers across the country has received funding and are being encouraged to use it to increase training for riders with Special Education Needs and Disabilities ("SEND").

In partnership with Halfords, the Bikeability Trust has set up the Participants' Hub - a webpage where Bikeability trainees and their families can access vouchers for free bike safety checks, discounts on servicing and products, the chance to enter competitions to win a Carrera child's bike every three months, plus useful hints and tips to encourage ongoing cycling. Registration numbers to the Participants' Hub continue to rise steadily.

4,000 Halfords branded hi-visibility tabards have been well received by the cycle training industry with demand for more. Halfords has also worked with the trust to identify several products with 'Bikeability Approved' branding. Each product will be functional, affordable and relevant to young cyclists beginning their lifelong relationship with cycling.

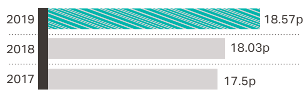
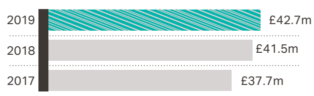
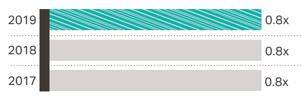
Halfords is also helping to celebrate success with the sponsorship of the second annual Bikeability awards, held in conjunction with the annual conference. A representative from the company will be giving a keynote address as well as presenting the awards.

Priorities for the year

- The design of our first loyalty programme
- More customers shopping across the Group
- Improved Financial Services offer

Our Key Performance Indicators ("KPIs")

Shareholder KPIs

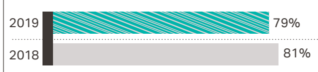
KPI	Definition	Commitment	Performance	Historic Performance
Underlying profit before tax	Profit before income tax and non-underlying items as shown in the Group Income Statement.	The Board considers that this measurement of profitability provides stakeholders with information on trends and performance, before the effect of non-underlying items.	Underlying profit before tax declined by -17.9% year-on-year, primarily driven by mild winter temperatures, weakened consumer confidence, retail cost inflation and investment in strategic projects	
Underlying earnings per share("EPS")	Profit after income tax and before non-underlying items as shown in the Group Income Statement, divided by the number of shares in issue.	EPS is a measure of our investment thesis and as such we aim to manage revenues, margins and invest in long-term growth.	Underlying earnings per share declined by -17.2% year-on-year. See above for explanation.	
Underlying EBIT and Underlying EBITDA	Underlying EBIT results from operating activities before non-underlying items. Underlying EBITDA further removes Depreciation and Amortisation.	The Board considers that these measurements of profitability are a viable alternative to underlying profit and uses these measures to incentivise Management.	Underlying EBIT declined by -16.6% year-on-year. See above for explanation. Underlying EBITDA decreased by -10.3% year-on-year.	 The above numbers represent Underlying EBITDA
Dividend per Ordinary Share	Cash returned to shareholders as a return on their investment in the Company.	Our prevailing policy is to grow the dividend every year with cover of around 2× underlying earnings on average over time. The impact of adverse FX movements will reduce cover temporarily until fully mitigated, which will take some time.	The Board has recommended a final ordinary dividend of 12.39 pence per share (FY18: 12.03 pence), which, if approved, would take the full-year ordinary dividend to 18.57 pence per share, an increase of +3.0% on the prior year. Our dividend cover would reduce to c.1.3× for the full year, however this is expected in the medium-term as we invest for sustainable long-term growth, moving towards 2 times over time.	
Free Cash Flow	Adjusted Operating Cash Flow less capital expenditure, net finance costs, taxation, exchange movement and arrangement fees on loans.	Our medium-term target is to grow Free Cash Flow over the next three years (FY19 – FY21) compared with the previous three years (FY16 – FY18)	For the year, the Group had Free Cash Flow of £42.7m up +2.9% year-on-year.	
Net Debt to Underlying EBITDA ratio	Represented by the ratio of Net Debt to Underlying EBITDA.	We currently continue to target a ratio of 1.0×, with a range of up to 1.5× to allow for appropriate M&A. We will arrive at the debt target over time. This ratio helps to compare the financial result for the year to debt levels.	The Group had a Net debt to underlying EBITDA ratio of 0.8 times at the end of FY19.	

KPI	Definition	Commitment	Performance	Historic Performance
Like-for-like sales	Revenues from stores, Autocentres and websites that have been trading for at least a year (but excluding prior year sales of stores and Autocentres closed during the year) at constant foreign exchange rates.	Like-for-like sales is a widely used indicator of a retailer's trading performance, and is a comparable measure of our year-on-year sales performance.	Group like-for-like sales performance of +1.1%. Retail +0.8% like-for-like and Autocentres +2.6%. In Retail, motoring has been affected by mild winter temperatures which has correspondingly benefitted cycling.	

	FY19 LFL revenue movement
Halfords Group	**+1.1%**
Retail	+0.8%
Motoring	-0.4%
Car Maintenance	-1.1%
Car Enhancement	-0.6%
Travel Solutions	+1.7%
Cycling	+2.6%
Autocentres	+2.6%

Our Key Performance Indicators

Operational KPIs

KPI	Definition	Commitment	Performance	Historic Performance
Service-related Group sales growth	Service-related Retail sales is the income derived from the fitting or repair services themselves along with the associated product sold within the same transaction.	To grow service-related Group sales faster than total Group sales growth.	Service-related Group sales grew faster than overall sales, up +1.6% in the year and represented 24% of overall group sales. We have added new services, taking the total in-store offering to over 80 services across motoring and cycling.	**FY19:** **1.6%**
Group Colleague Engagement	The proportion of Group colleagues who respond positively to the questions in the Colleague Engagement Survey.	We aim to improve Colleague Engagement across the Group with specific focus on required areas identified by colleagues.	Our Group Colleague Engagement for FY19 was at 79%, a fall of 2% on the previous year but is still ahead of the Retail benchmark.	
Customer Net Promoter Score ("NPS")	Measure the changes in NPS of our Retail stores and Autocentres.	We are committed to improving the score with our customers across the Group.	Retail NPS was 62.9 down 0.8 points from the previous year. This was the first full financial year in which Autocentres measured NPS – it achieved a score of 65.6.	**Retail FY19:** **62.9** **Retail FY18:** **63.7** **Autocentres FY19:** **65.6**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Corporate Social Responsibility

Our Corporate Social Responsibility ("CSR") Strategy is . . .

We are committed to being environmentally and socially accountable to all stakeholders – our colleagues, customers, shareholders and the wider world.

Within our existing strategy our commitments and actions focus on four key pillars: Colleagues, Community, Environmental Management and Responsible Trading. We have made huge progress this year particularly with our colleague training including a focus on growing our E-Bike skills across the business. Our community activity goes from strength to strength with Bikeability Training and the high volume of recycled bikes.


VL2
halfords
autocentre

Corporate Social Responsibility

Colleagues

Developing, rewarding and retaining our colleagues, ensuring they are fully engaged to drive our long-term sustainable growth ambitions.

Key Facts

c.10,200

Number of colleagues

420

Number of colleagues graduated to management roles

Awards

Sunday Times #9 Developing Potential Award

FTSE4GOOD Index

This icon is used to indicate content on the outputs of the business model.

A great and improving place to work

Last year, we celebrated our position at number 9 in 'The Sunday Times 25 Best Big Companies To Work For'. This year, we are delighted to have remained in the Top 25 and to be one of only three retailers on the list.

Separately, our own annual Colleague Engagement Survey this year revealed that 96% of our people understand how their work contributes to our collective success, 93% feel trusted to do their job, and 90% feel their manager treats them with respect.

From best-in-class training and career development, to driving positive change to our gender pay gap, our commitment to colleague well-being is evidenced by a year of multiple achievements and awards.

- Our in-house training and development academies clocked-up a landmark 11,000 days of upskilling to over 5,000 colleagues since their launch in 2015.
- Our gender pay gap is below the national average, with our mean hourly rate for women being 5.52% less than men.
- We won the coveted Princess Royal Training Award, an accreditation awarded in conjunction with City & Guilds to organisations that demonstrate that they have created a lasting impact through delivering skills development which drives business performance.
- We were presented with a commemorative plaque from the Chartered Institute of Logistics and Training for our contribution to their organisation.

Finding, supporting and developing great people throughout their Halfords journey

We aim to be an inclusive employer of choice: giving colleagues equal opportunities to prosper within rewarding and inspiring teams.

We strive to ensure all colleagues enjoy their work and have opportunities to consistently inspire and support our customers through their 'super-specialist' expertise. To achieve this, we continue to invest heavily in our technical and leadership development programmes and actively look for ways in which we can promote and increase the diversity of our workforce.

We aim to meet business objectives by motivating and encouraging all colleagues to be responsive to the needs of our customers and continually improve operational performance. This aim is delivered through a range of structured training and development programmes, such as 'Gears', where Retail colleagues progress through a structured series of e-learning, technical workshops, one-on-one coaching and shop floor experience modules and are then recognised for their success through career progression and increased pay awards.

Tredz, is undertaking a series of colleague training and development programmes. These include supporting line managers to continuously develop their leadership skills.

In addition, those colleagues who work in our Cycle Republic stores also benefit from supplier training provided by various major cycling brands.

In our Retail business, our apprenticeships are run in-house by our Ofsted-graded 'Good' apprenticeship team. In FY19 all new eligible starters in our shops were enrolled onto our Retail Level 2 Gears Apprenticeship Programme. We currently have 1,069 apprentices completing their apprenticeships.

Our 'Gears in Retail' qualification programme plays a key role in enabling colleagues to achieve industry-recognised qualifications. They are rewarded as they progress 'through the gears', by gaining experience and qualifications.

All new colleagues complete Gear 1 within their first three months. Gear 2 is a programme leading to an expert level of specialist knowledge in either Auto and Leisure or Cycling.

Colleagues can also complete Gear 3 if nominated which gives them 'technician' status in either Auto or Cycling and enables them to complete complex fits and repairs. We are delighted that 710 colleagues have now trained to Gear 3 level.

Our established training programmes aside, we also continually enhance and update. This year we delivered additional 'Customer First' training to all of our store management and customer service colleagues. The same training was rolled-out to Support Centre colleagues engaged in the customer experience and in driving up customer satisfaction.

We also continue to train colleagues on new products and services, for example E-Bikes and scooters.

Meanwhile, Halfords Autocentres runs a number of technical training courses in conjunction with the Institute of Motor Industry ("IMI") designed to develop colleagues' skills.

A total of 246 colleagues have achieved the IMI's DVSA MOT tester accreditation with a further 140 on track for FY20. Responding to the increasing relevance of electric and hybrid technology, 553 colleagues gained the IMI's Hybrid Electric Vehicle Level 2 accreditation, with a further 250 scheduled to follow the same path in FY20.

Autocentres is also proud to have one of the largest light vehicle maintenance apprenticeship schemes in the UK, with 178 apprentices at differing stages of our three-year programme. We expect a further 100 to join in 2019.

For colleagues further along their Halfords journey, we run our 'Aspire' series of leadership programmes designed to identify, nurture and develop colleagues across the Group.

A guided learning suite that offers individuals the opportunity to take their careers further and become leaders, Aspire has enabled 420 colleagues to graduate to new roles as an Assistant Manager or a Store Manager.

Additionally, our 'Aspire to Assistant' and 'Aspire to Store Manager' programmes are mapped retrospectively to level 3 and level 4 apprenticeship programmes, meaning our colleagues achieve a formal qualification as part of their programme. 195 colleagues are currently completing their management apprenticeships.

An additional benefit is that the vast majority of store manager vacancies are filled internally, reflecting our permanent desire to develop and promote from within.

Equal opportunities for all

We are committed to providing equality of opportunity to colleagues and potential colleagues.

This applies to recruitment, training, career development and promotion, regardless of physical ability, gender, sexual orientation or gender reassignment, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin.

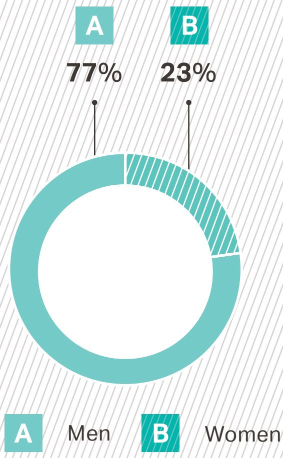
Full and fair consideration is given to employment applications by people with disabilities wherever suitable opportunities exist, having regard to their particular aptitudes and abilities. Our Group Diversity Policy is reviewed annually by the Board and training and career development support is provided where appropriate.

Should a colleague become disabled, efforts are made to ensure their continued employment with the Group, with retraining provided if necessary.

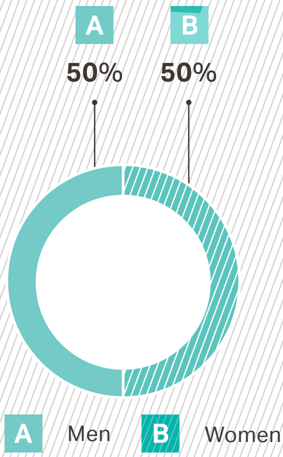
Corporate Social Responsibility

Diversity

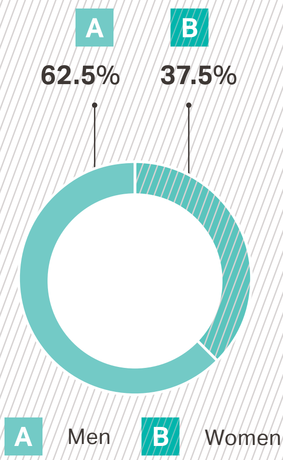
Total Women



Women on the Board



Women in Senior Managament Team



Always talking

Excellent colleague communication is key for us.

We have an established framework of internal communication channels which seek to inform, engage and inspire – both on matters of concern to colleagues, plus wider business performance.

We seek to encourage the engagement of every colleague to ensure the delivery of the Board's commitment to high standards of customer care and service provision. This includes a programme of regular conferences to share progress, strategy and direction; a monthly magazine for all Group colleagues; team meetings known as 'huddles'; a weekly blog from the Chief Executive Officer, as well as Intranet and interactive Yammer channels to share operational information and drive positive culture.

Importantly, this coming year, representation of our colleagues' views on the Board will become the responsibility of our Non-Executive Director, Helen Jones.

Whistleblowing

We do not tolerate discrimination, harassment or bullying in any aspects of our business operations. A Whistleblowing Policy and supporting procedures enable colleagues to report concerns on matters affecting the Group or their employment, without fear of recrimination. Appropriate and robust policies and procedures are in place for reporting and dealing with such matters.

Driving for diversity

We recognise the value that diversity brings.

Our focus remains on increasing the overall number of women at Halfords - and to increase the number appointed and promoted into more senior roles.

Disappointingly, despite our efforts across the training and recruitment process, the overall number of women has fallen as a percentage of the total workforce this year, from 27% to 23%.

More positively, we have increased the percentage of women on the Board from 33% to 50% and in the Senior Management Team from 26% to 37.5%.

Halfords Group signed the Armed Forces Covenant in February 2019

We offer guaranteed interviews to service leavers and reservists for all roles where candidates meet the minimum requirements.

We also support service leavers and reservists by recruiting through the Career Transition Partnership (CTP), offering ten days additional unpaid leave for reservists and a range of discounts for those serving in the Armed Forces.

As a result we are now a Bronze Level employer in the MOD's Employer Recognition Scheme, with plans to reach Silver Level soon.

Digital Product Owner, Charlotte, joined Halfords last March and balances her role optimising the customer journey on our website with her duties as a Royal Navy Reservist.

She has leveraged the skills learned as a Reservist to help improve her confidence in delivering presentations, coaching and decision making. It means our commitment to the Covenant is beneficial to our colleagues and our business.

> *It's great to work for a company that is supportive of my Reservist activities. The Armed Forces is a family, but it feels like I have joined another one in Halfords.*
>
> Charlotte

Our Work Continues to Support Offenders

Halfords works across two locations at HMP Onley, near Rugby, and HMP Drake Hall, Staffordshire.

As the UK continues to battle high reoffending rates, with 83% of former prisoners remaining jobless a year after release, we want to increase the talent pool, lower the cost of reoffending and contribute to the creation of safer communities for all.

The Halfords Academy at HMP Drake Hall offers participants the opportunity to train as cycle mechanics, creating the prospect of steady employment and a chance to put their past firmly behind them. The programme can be tailored for each participant, with an added focus on mechanics, customer services or retail.

Fully supported by Halfords colleagues, participants are subject to the same high standards of training as colleagues in Halfords shops. Even though women only constitute approximately 5% of the total prison population, research has shown that a gender-sensitive approach with a focused and targeted effort can lead to a significant reduction in their reoffending rates.

We are delighted to be offering potentially life-transforming opportunities to those who need them most.

Corporate Social Responsibility

Community

Helping to keep families safer on their journeys and encouraging an active lifestyle.

Key Facts

NSPCC benefitted from total donations of

£53,222

400,000

Number of schoolchildren trained per year by our partnership with the Bikeability scheme

This icon is used to indicate content on the outputs of the business model.

Using our knowledge and expertise to benefit the communities around us

We continue to believe that we have a key role to play in encouraging people to cycle more as part of an active lifestyle.

Our partnership with the Government's 'Bikeability' scheme supports the safe cycle training of over 400,000 schoolchildren per year and introduces them to Halfords as their cycling partner of choice.

Our valuable work with the rehabilitation of offenders continues.

Our bespoke training academies in HMP Drake Hall, in Staffordshire, and HMP Onley, in Warwickshire, continue to place participating inmates on an optimistic and practical path to a positive new life upon release.

This year, one of the graduates of our Cycle Academy at HMP Onley joined us as a bike technician at one of our stores and is now training to be an Assistant Manager.

Charity support also remains an important aspect of our contribution to the wider community in which we play a role. This year, our nominated charity the NSPCC benefitted from total donations of £53,222 made by customers via shop collection tins and by colleagues via a range of fundraising events.

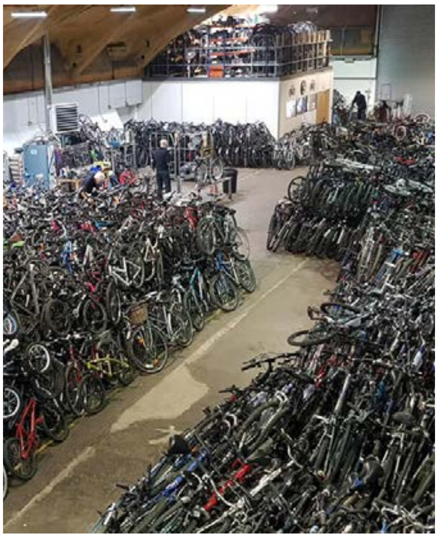
Bikeability

In June 2018, Halfords launched a partnership with the Bikeability Trust, the national charity for cycle training, to help 25,000 more primary school children in England access safe cycling programmes.

It helps beginners to learn to ride in traffic-free environments before eventually developing their skills and confidence to progress on to local roads.

The partnership provides free bike safety checks for every child taking part, as well as for their parents, teachers and trainers.

We have supported Bikeability in the creation of a participants' online hub to offer further support, offers and advice post-training. Bikeability already helps children access cycling safely and continues to engage more children and parents than ever.



Re-cycle

The bicycle charity Re-Cycle was set up in 1997 with a mission to create an 'Africa unlimited by transport'.

Since then, it has sent over 100,000 bikes to 16 different countries in Africa as well as taught families how to maintain them. Working with partners in Africa, Re-Cycle refurbish bikes locally before distributing them to people living in rural communities.

Bikes can cut average journey times by 75%, helping keep children in school and can increase the income of families by 35%. There are further health benefits as bikes can help people carry up to five times the amount of clean water.

Halfords runs national trade-in events giving customers the opportunity to donate unwanted bikes for Re-Cycle at any of our retail stores. This year, 19,000 of our recycled bikes have benefitted disadvantaged people and we have also donated new helmets to primary school children in economically-challenged areas of the UK.

Corporate Social Responsibility

Environment

The environmental resources Halfords uses in its operations

Key Facts

Our work has an impact on the environment and we have a duty to manage that impact in a responsible and ethical manner.

100%

Batteries we fitted were recycled

1,700 tonnes

Reduction in annual carbon dioxide emissions

This icon is used to indicate content on the outputs of the business model.

Managing our impact on the environment in a responsible and ethical manner

We know that our work has an impact on the environment and that we have a duty to manage that impact in a responsible and ethical manner.

We do this through identifying all significant environmental impacts and putting processes into place to prevent, reduce and mitigate them. To meet our commitment of protecting the environment, we aim to:

- comply with all relevant environmental legislation;
- operate our business in a way that protects the environment;
- promote environmental awareness to colleagues and enlist their support in improving the Company's performance with training and instruction;
- minimise waste by making sure processes are as efficient as possible;
- look to reduce energy and water usage;
- promote recycling internally and with our suppliers and customers;
- minimise the environmental impact of our logistics activities; and
- continually develop our environmental management system.

We have a legal obligation to dispose of waste batteries responsibly, and this year we recycled 100% of the batteries we fitted, at no cost to our customer.

All of our batteries are supplied by GS Yuasa. 98% of the raw materials used in their manufacturing process is recycled at the end of life and used again to manufacture new battery products, thus achieving a 'closed loop' lifecycle.

GS Yuasa's manufacturing plants comply with Environmental Management Standard ISO 14001 and they are also at the leading edge of the development of next generation batteries using eco-friendly products such as lithium ion.

Waste batteries are collected from our sites as frequently as once a week by a specialist recycler that is compliant with UK Battery Regulations. These set targets for the recycling efficiency of waste batteries and define the amount of useful material that must be recovered from each tonne of batteries sent for recycling. This year 3,313 tonnes of batteries were recycled on our behalf.

We already ensure that our suppliers give preference to the use of recycled materials in the manufacturing and packaging of our goods. But we want to do more.

This year we are committed to starting a journey to review our packaging materials in a bid to further reduce our environmental impact, specifically with regards to the use of plastic.

Reducing the size of our carbon footprint remains a priority. A roll-out of energy-saving LED lighting across our estate is now contributing positively to our ongoing aspirations in this area.

This year, 180 locations will benefit from the installation of 45,000 individual lamps, resulting in a 40% reduction in energy consumption – the equivalent of a 1,700 tonnes reduction in annual carbon dioxide emissions

Global Greenhouse Gas Emissions

Global Greenhouse Gas Emissions	2017 tCO_2E	2018 tCO_2E	**2019 tCO_2E**
Retail inc Cycle Republic Directly Purchased Electricity	18,448.01	19,638.34	**13,843.35**
Autocentres Directly Purchased Electricity	3,379.41	2,790.05	**2,275.26**
Tredz and Wheelies Directly Purchased Electricity	N/A	88.27	**111.43**
Halfords Group Directly Purchased Electricity	N/A	22,516.66	**16,230.04**
Retail inc Cycle Republic Combustion of Gas	7,035.65	6,187.43	**7,306.56**
Autocentres Combustion of Gas	3,339.91	3,483.44	**1,842.17**
Tredz and Wheelies Combustion of Gas	N/A	17.84	**6.41**
Halfords Group Combustion of Gas	N/A	9,688.71	**9,155.08**
Cars on Company Business	911.45	1,080.00	**1,123**
TOTAL	33,114.43	33,285.37	**26,508.18**
Company's Chosen Intensity Measurement: tCO_2E per £1m Group Revenue	33.10	29.32	**23.28**

Corporate Social Responsibility

Responsible Trading

Building and maintaining the highest standards amongst our suppliers.

Key Fact

Our principles are based on international standards, including the International Labour Organisation ("ILO") conventions and recommendations.

This icon is used to indicate content on the outputs of the business model.

We are committed to maintaining the highest ethical standards amongst our suppliers.

We are strongly opposed to the exploitation of workers and we will not tolerate forced labour, or labour which involves physical, verbal or psychological harassment or intimidation.

We will not accept human trafficking or the exploitation of children and young people in our business and we undertake all possible steps to ensure that these high standards are maintained. We regularly review related policies to ensure that they remain up-to-date and fit-for-purpose.

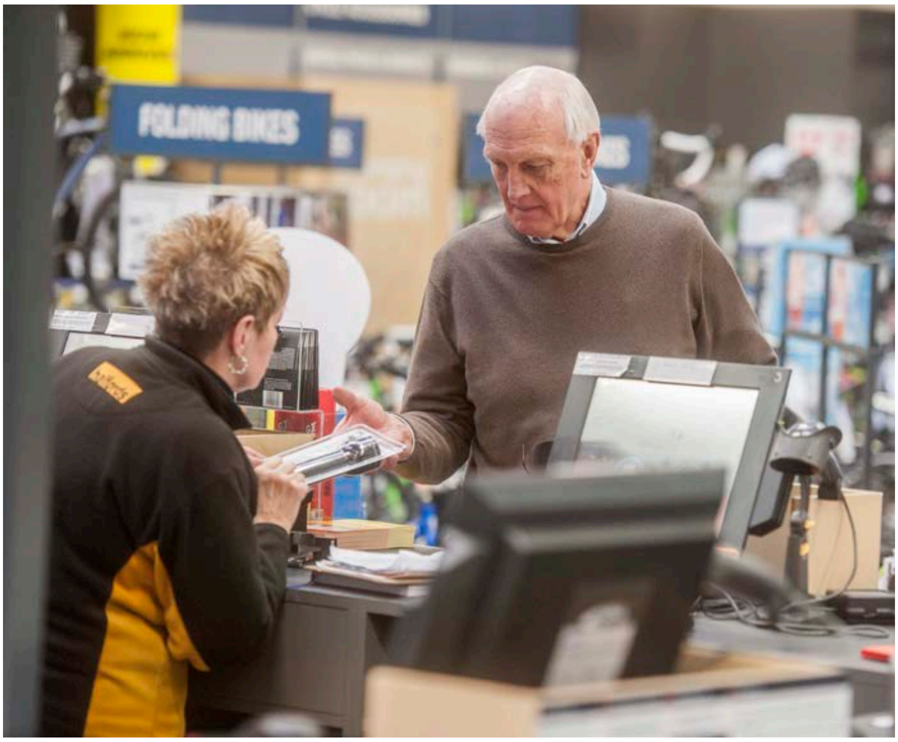
Our principles are based on International standards, including the International Labour Organisation ("ILO") conventions and recommendations, which in turn are based on the United Nations ("UN") Universal Declaration of Human Rights and Convention on Rights of the Child.

We have statements about Modern Slavery in our Standard Conditions of Purchase and require all suppliers to self-declare that they comply.

We carry out a rolling programme of Code of Conduct audits across social, ethical and CSR issues.

No instances of unacceptable conduct have been reported.

Read more online at **www.halfordscompany.com/investors/governance**




BANK
HOLIDAY
DEALS
Extra
10%off
ALL bikes
Hurry! Ends soon

Chief Financial Officer’s Report

Financial Resources

Generating returns for our shareholders through effective management of our financial resources

£1,138.6m
Group Revenue

£62.2m
Underlying Group EBIT

24.5p
Underlying Basic EPS

“Group revenue in FY19, at £1,138.6m, was up 0.3% and comprised Retail revenue of £977.2m and Autocentres revenue of £161.4m.”

This icon is used to indicate content on the outputs of the business model.

Loraine Woodhouse
Chief Financial Officer

Reportable Segments

Halfords Group operates through two reportable business segments:

- Retail, operating in both the UK and Republic of Ireland; and
- Autocentres, operating solely in the UK.

All references to Retail represent the consolidation of the Halfords (“Halfords Retail”) and Cycle Republic businesses, Boardman Bikes Limited and Boardman International Limited (together, “Boardman Bikes”), and Performance Cycling Limited (together, “Tredz and Wheelies”) trading entities. All references to Group represent the consolidation of the Retail and Autocentres segments.

The FY19 accounting period represents trading for the 52 weeks to 29 March 2019 (the “financial year”). The comparative period FY18 represents trading for the 52 weeks to 30 March 2018 (the “prior year”).

Group Financial Results

	FY19 £m	FY18 £m	Change
Group Revenue	1,138.6	1,135.1	0.3%
Group Gross Profit	579.0	570.2	1.5%
Underlying EBIT*	62.2	74.6	-16.6%
Underlying EBITDA*	98.2	109.5	-10.3%
Net Finance Costs before non-underlying items	(3.4)	(3.0)	13.3%
Underlying Profit Before Tax*	**58.8**	**71.6**	**-17.9%**
Profit Before Tax	51.0	67.1	-24.0%
Underlying Basic Earnings per Share*	24.5p	29.6p	-17.2%

* Our Annual Report and Accounts includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is included on page 166.

Group revenue in FY19, at £1,138.6m, was up 0.3% and comprised Retail revenue of £977.2m and Autocentres revenue of £161.4m. This compared to FY18 Group revenue of £1,135.1m, which comprised Retail revenue of £977.2m and Autocentres revenue of £157.9m. Group gross profit at £579.0m (FY18: £570.2m) represented 50.9% of Group revenue (FY18: 50.2%), reflecting an increase in the Retail gross margin of 60 basis points ("bps") to 48.0% and an increase in the Autocentres gross margin of 50 bps to 68.0%.

Total operating expenses before non-underlying items, increased to £516.8m (FY18: £495.6m) of which Retail comprised £410.5m (FY18: £391.0m), Autocentres £104.2m (FY18: £102.5m) and unallocated costs £2.1m (FY18: £2.1m). Total operating expenses increased to £524.6m (FY18 £500.4m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations, namely the acquisition of Autocentres in February 2010, Boardman Bikes in June 2014, and Tredz and Wheelies in May 2016, which arise on consolidation of the Group.

Group Underlying EBITDA decreased 10.3% to £98.2m (FY18: £109.5m), whilst net finance costs before non-underlying items were £3.4m (FY18: £3.0m).

Underlying Profit Before Tax for the year was down 17.9% at £58.8m (FY18: £71.6m). Net non-underlying items of £7.8m in the year (FY18: £4.5m) related predominantly to organisational restructure and strategy review costs. After non-underlying items, Group Profit Before Tax was £51.0m (FY18: £67.1m).

Retail

	FY19 £m	FY18 £m	Change
Revenue	977.2	977.2	–
Gross Profit	469.3	463.6	1.2%
Gross Margin	48.0%	47.4%	
Operating Costs	(410.5)	(391.0)	5.0%
Underlying EBIT*	**58.8**	**72.6**	**-19.0%**
Non-underlying items	(8.7)	(4.8)	
EBIT after non-underlying items	50.1	67.8	-26.1%
Underlying EBITDA*	**87.1**	**99.0**	**-12.0%**

* Our Annual Report and Accounts includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is included on page 166.

Chief Financial Officer's Report

Revenue for the Retail business of £977.2m reflected, on a constant-currency basis, a like-for-like ("LFL") sales increase of 0.8%. Non-LFL revenue in the year included the contribution from Cycle Republic stores that have been open for less than 12 months.

Please refer to the Retail Operational Review in the Chief Executive's Statement for further commentary on the trading performance in the year. Like-for-like revenues and total sales revenue mix for the Retail business are split by category below:

	FY19 LFL (%)	**FY19 Total sales mix (%)**	FY18 Total sales mix (%)
Motoring	**-0.4%**	**60.4**	**61.0**
Car Maintenance	-1.1%	31.0	31.6
Car Enhancement	-0.6%	18.0	18.2
Travel Solutions	+1.7%	11.4	11.2
Cycling	**+2.6%**	**39.6**	**39.0**

Gross profit for the Retail business at £469.3m (FY18: £463.6m) represented 48.0% of sales, 60bps up on the prior year (FY18: 47.4%). This improvement reflected several factors including a positive FX tailwind, stock loss improvements and a continued focus on buying efficiencies. These were partially offset by the softer motoring sales growth in the year.

The table below shows the average exchange rate reflected in cost of sales, along with the year-on-year movement.

	FY19 full-year $	FY18 full-year $
Average USD: GBP rate reflected in cost of sales	**$1.32**	$1.29
Year-on-year movement in rate	**$0.03**	$(0.18)

Retail operating costs increased by 5.0% to £410.5m. The full-year cost increase comprised of the following: 1) inflationary impacts and 2) strategic investment for the future growth and sustainability of the business. These costs were partially offset by a reduction in incentive payments year-on-year.

Autocentres

	FY19 £m	FY18 £m	Change
Revenue	161.4	157.9	2.2%
Gross Profit	109.7	106.6	2.9%
Gross Margin	68.0%	67.5%	
Operating Costs	(104.2)	(102.5)	1.7%
Underlying EBIT*	**5.5**	**4.1**	**34.1%**
Non-underlying items	0.9	–	100%
EBIT after non-underlying items	6.4	4.1	56.1%
Underlying EBITDA*	**11.1**	**10.5**	**5.7%**

* Our Annual Report and Accounts includes Alternative Performance Measures (APMs) which we believe provide readers with important additional information on the Group. A glossary of terms and reconciliation to IFRS amounts is included on page 166.

Autocentres generated total revenues of £161.4m (FY18: £157.9m), an increase of 2.2% on the prior year with a LFL* increase of 2.6%.

The sales performance reflected growth in tyres, MOT and servicing sales. Gross profit at £109.7m (FY18: £106.6m) represented a gross margin of 68.0%; an increase of 50 bps on the prior year.

Autocentres' Underlying EBITDA of £11.1m (FY18: £10.5m) was 5.7% higher than FY18, and Underlying EBIT was £1.4m (34.1%) higher than FY18 at £5.5m (FY18: £4.1m).

Portfolio Management

The Retail store portfolio at 29 March 2019 comprised 477 stores (end of FY18: 480).

The following table outlines the changes in the Retail store portfolio over the year:

	Number
Relocations	2
Leases re-negotiated	19
Rightsized	0
Openings	3
Closed	7

The focus in year was on re-laying stores to enhance the space allocated to growing categories rather than on refreshing the Retail store environment.

Two Autocentres were opened in the year and one was closed, taking the total number of Autocentre locations to 317 as at 29 March 2019 (end of FY18: 316). 8 Autocentres were refreshed in the year (FY18: 6).

With the exception of eight long leasehold and two freehold properties within Autocentres, the Group's operating sites are occupied under operating leases, the majority of which are on standard lease terms, typically with a 5 to 15-year term at inception and with an average lease length of just less than 6 years.

Net Non-Underlying items

The following table outlines the components of the non-underlying items recognised in the year:

	FY19 £m	FY18 £m
Organisational restructure costs	6.8	4.3
Group-wide strategic review	2.4	–
One-off royalty income	(1.6)	–
Acquisition and investment related fees	0.2	0.2
Operating lease obligation	–	(0.3)
Net non-underlying operating costs	**7.8**	**4.8**
Acquisition related interest (credit)/charge	–	(0.3)
Net non-underlying items	**7.8**	**4.5**

In the current and prior year, separate and unrelated organisational restructuring activities were undertaken. These comprised:

- redundancy costs of £1.5m relating to roles which will not be replaced; and
- £5.3m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites.

Costs in the prior period comprised:

- redundancy costs of £0.7m relating to roles which will not be replaced;
- £1.0m provision for compensation to the new CEO, on joining, for foregoing entitlements from a previous employer, as outlined at the time of announcement of his appointment;
- £1.5m in relation to a restructure of the Boardman business. Boardman has stopped selling directly to customers through the Boardman website. The website will be maintained as a 'brand' website, with customers being directed to purchase bikes predominantly through Cycle Republic; and
- £1.1m in relation to asset write-offs, principally resulting from the decision to close the marketplace offer on Halfords.com.

Costs of £2.4m were incurred in the current period in relation to the costs of preparing the new Group strategy, which comprised of the following:

- £2.0m of external consultant costs; and
- £0.4m warehouse and distribution costs in order to align our network with the new strategy.

A one-off royalty income of £1.6m was received in the current period in relation to the use of a software licence.

Explanations of the remaining non-underlying items are included in Note 5 to the financial statements later in this report.

Finance Expense

The net finance expense (before non-underlying items) for the year was £3.4m (FY18: £3.0m). The interest costs on bank borrowings have increased since the previous year, reflecting an increase in the Bank of England base rate.

Taxation

The taxation charge on profit for the financial year was £9.1m (FY18: £12.4m), including a £1.4m credit (FY18: £0.8m credit) in respect of non-underlying items. The effective tax rate of 17.8% (FY18: 18.5%) differs from the UK corporation tax rate (19%) as a result of the effects of non-deductible depreciation charged on capital expenditure, the impact of accounting for employee share options and adjustments in respect of prior years.

Earnings Per Share ("EPS")

Underlying Basic EPS was 24.5 pence and after non-underlying items 21.2 pence (FY18: 29.6 pence, 27.8 pence after non-underlying items), a 17.2% and 23.7% decrease on the prior year. Basic weighted-average shares in issue during the year were 197.1m (FY18: 197.0m).

Chief Financial Officer's Report

Dividend
The Board has proposed a final dividend of 12.39 pence per share (FY18: 12.03 pence), taking the full-year ordinary dividend to 18.57 pence per share, an increase of 3%. If approved, the final dividend will be paid on 30 August 2019 to shareholders on the register at the close of business on 26 July 2019.

Capital Expenditure and Investments
Capital investment in the year totalled £31.0m (FY18: £37.3m) comprising £26.3m in Retail and £4.7m in Autocentres.

Within Retail, £11.4m (FY18: £12.8m) was invested in stores, including store relocations and re-organisation, and the opening of three Cycle Republic stores. Additional investments in Retail infrastructure included a £10.5m investment in IT systems, including development of the till hardware and a software upgrade. The balance of £4.4m was invested in warehousing and logistics upgrades and Tredz & Wheelies.

The £4.7m (FY18: £7.0m) capital expenditure in Autocentres principally related to the replacement of garage equipment and fixtures and fittings, the development of new till hardware and software and the growth of Halfords Mobile Expert.

On a cash basis, total capital expenditure in the year was £29.4m (FY18: £37.0m).

The investment held in Tyres On The Drive of £8.1m was derecognised during the year and accounted through the Statement of Other Comprehensive Income.

Inventories
Group inventory held as at the year-end was £185.4m (FY18: £195.5m). Retail inventory decreased to £184.0m (FY18: £194.1m), reflecting working capital efficiencies.

Autocentres' inventory was £1.4m (FY18: £1.4m). The Autocentres business model is such that only modest levels of inventory are held within the Centres, with most parts being acquired on an as-needed basis.

Cashflow and Borrowings
Adjusted Operating Cash Flow was £88.5m (FY18: £95.4m). After taxation, capital expenditure and net finance costs, Free Cash Flow of £42.7m (FY18: £41.5m) was generated in the year. Group Net Debt was £81.8m (FY18: £87.8m), with the Underlying EBITDA ratio at 0.8:1.

Brexit and impact of movements in foreign currency exchange rates
At the date of finalising this report there is considerable uncertainty as to how and even whether, the UK will exit from the EU. There is corresponding uncertainty around the impact on Halfords.

1. Impact on exchange rates. The Group buys a significant proportion of its goods in US dollars; between \$200m and \$300m a year. As previously guided, the majority of our US dollar sourcing is for cycling products.
2. Prolonged uncertainty over exit terms and continued weakness in Sterling could lead to a slowdown in the UK economy and, consequently, a further weakening of consumer confidence, impacting trading conditions for the Group. Working groups have been held throughout the year to identify, assess and implement mitigations for the risks of a hard Brexit. However, Halfords has strong positions in fragmented motoring and cycling markets, and a service-led offer that differentiates us from our competitors, both physical and online.

Principal Risks and Uncertainties

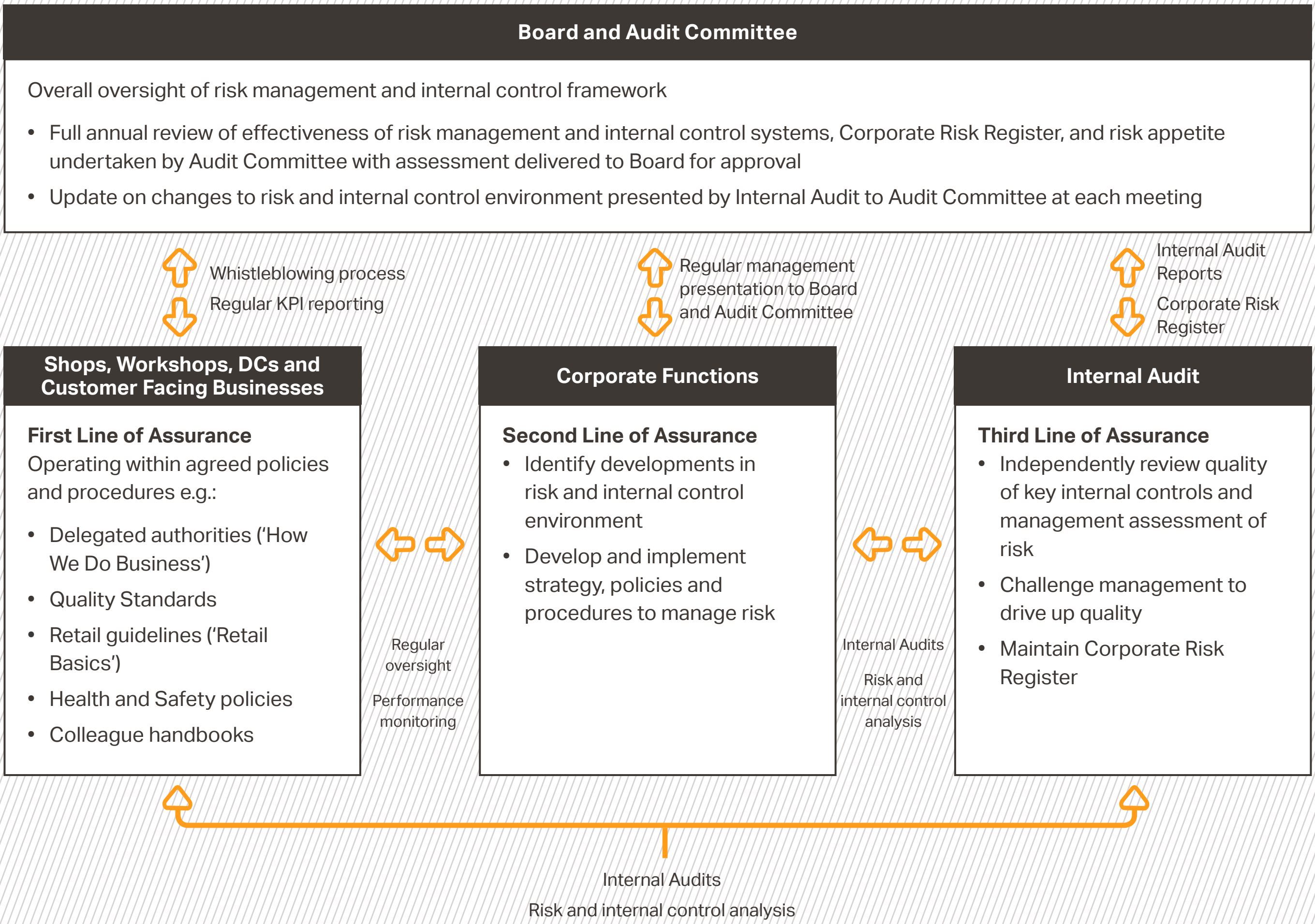
The Board considers the assessment of risk assessment and the identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report and Accounts, the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described in the Strategic Report of the 2019 Annual Report and Accounts. These include:

- **Business Strategy**
  - Capability and capacity to effect significant levels of business change
  - Stakeholder support and confidence in strategy
  - Sustainable business model
- **Product, Service Quality and Brand Reputation**
  - Brand appeal and market share
  - Service Quality
  - Critical physical infrastructure failure (including supply chain disruption)
- **Information Technology Systems and Infrastructure**
  - Cyber and data security
  - IT Infrastructure failure
- **People**
  - Skills shortage
  - Staff engagement / culture
- **Economic, Environmental and Political**
  - Change in Government policy or regulation
  - Brexit

Specific risks associated with performance include Christmas trading as well as weather-sensitive sales, particularly within the Car Maintenance and Cycling categories in the Retail business.

Loraine Woodhouse
Chief Financial Officer
21 May 2019

Our Principal Risks and Uncertainties



Risk Management Framework

Halfords has a risk management process to protect the interests of key stakeholders and safeguard the delivery of our strategic objectives. Risk is a necessary part of business that can present upside as well as downside potential. It is the responsibility of management to minimise adverse exposure to the Halfords Group and our stakeholders. The Board recognises that the nature and scope of risks can change and so regularly reviews them as well as the systems and processes for mitigation.

Risk Oversight and Governance

The Board has overall responsibility for the management of risk and the identification of Principal Risks that may affect the Group's strategic objectives. During the year the Executive Team, supported by management, reviewed all Principal Risks in detail and provided oversight of how all the Group's key risks are managed. In doing so, it also considered and set its appetite for risk.

In addition to functional risk registers, a Corporate Risk Register is maintained that ensures a 'top down' and 'bottom up' assessment of risks. A review of risk is a standing agenda item at each Audit Committee to allow time for the consideration of changes to the corporate risk register.

The Audit Committee, delegated by the Board, is responsible for the review of the effectiveness of the internal control framework. The Audit Committee review presentations on topics in relation to key risk areas such as GDPR, cyber security and recently Inventory management. Please see page 90 for details of Audit Committee activities during the year.

Principal Risks

The Board carried out an assessment of the Group's principal risks at the end of the financial year, following a comprehensive strategic review of the business. Principal and emerging risks are monitored and changes to the risk environment discussed by the Board throughout the year. Our principal risks are described on the following pages, along with a summary of our mitigation activities. The Principal Risks are not in a priority order but have been set out against a Principal Risk theme, with arrows denoting the movement from the prior year.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Our Principal Risks and Uncertainties

Risk Title	Risk Description	Current Mitigation	Focus in 2019 Priorities in 2020
Economic, Environmental and Political			
Brexit	Changes to consumer confidence, the cost of doing business or the way in which we run our operation as a result of Brexit results in materially lower profits or organisational strain.	We constantly measure consumer confidence which can be impacted by many things, including Brexit. In 2018, we launched a new business strategy designed to vitalise our position in the market as a services business (see strategy). Following the announcement of an extension to 31 October 2019 for approval of a withdrawal agreement, the prospect of a hard Brexit has abated although departure from the EU without a free trade deal remains a possibility. We have a Brexit steering committee that evaluates the risk factors to the business in support of the Group's post-Brexit readiness, actions already taken include: – authorised Economic Operator ("AEO") status secured in full, allowing lower friction customs procedures; – CCG ("Comprehensive Customs Guarantee") granted in conjunction with AEO allowing deferral of all VAT and Duty payments with a lower guarantee level; – an ongoing 18-month hedging policy; – buffer stocks maintained within Halfords and with Vendors to mitigate border delays; – lead times extended for European vendors; – support provided to our EU workers based in the UK. In the period to October, we will continue to work on our readiness and have identified areas of focus. We anticipate cost inflation from border transactions and duty and this will affect all importers and exporters. Vendor negotiations or terms changes are likely to be required post a hard Brexit and we will be estimating the sort of costs our suppliers will face to allow us to engage in constructive negotiations. Our Republic of Ireland stores will become an export and therefore we are designing a process to allow continued replenishment and returns to these stores.	• Securing Authorised Economic Operator Status reducing exposure to border delays • Progression of the Corporate Strategy to strengthen our appeal to consumers • Continued monitoring and flex in readiness for change
Change in Government policy or regulation	A change in Government policy may significantly increase our cost of business or reduce customer demand	During the year, in recognition of the significance of the regulatory framework to the Group, a compliance department was formed with a new role of Head of Compliance. The function is responsible for verifying that business activities are compliant with licensed and regulatory obligations. An assessment of vulnerabilities as part of a refresh of the corporate risk register and horizon scanning across several business areas was undertaken during the year. Visibility of emerging risks will continue to improve as responsibilities are clearly defined through the development of functional risk registers. Brexit, as monitored by the Group's Brexit steering committee, is summarised above.	• New Compliance department created • Horizon scanning undertaken in a number of business areas • Brexit risk consolidated and managed by 'Brexit Steering Group' • Consolidate the output of the horizon scanning work to understand the impact on each aspect of the business • Create a cross-functional Risk Committee • Deep dives into specific areas as part of risk update

Risk movement

Risk increasing Risk decreasing No risk movement

Risk Title	Risk Description	Current Mitigation	Focus in 2019 Priorities in 2020
Business Strategy			
Capability and capacity to effect change	If we do not have sufficient capacity and capability (in terms of our people, processes and systems) 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.	Strategic priorities have been clearly defined following an in-depth strategic review supported by comprehensive customer, colleague, market and competitor research and with powerful insights from our single customer view. A Transformation Board has been formed to institute governance into the change programme necessary for the delivery of the strategy. The Board ensures there is a robust approval process for each project, allocates resource and monitors progress. Project Managers are in place within the business to whom projects can be assigned and this has been supplemented by specialist resource to boost capability. In effecting change, Halfords is requiring all contributing colleagues to observe the principles of Responsible, Accountable, Consulted and Informed ("RACI").	• Clear strategic priorities laid down • Specialist resource brought in to boost existing capability • Robust business case template developed and implemented • Focus on Free Cash Flow to maintain sufficient capital for investment • IT restructure to build in new capability plus senior, experienced Delivery Manager • Annual strategic plan 'refresh' to involve review of progress to date • Capital allocation model to be developed
Stakeholder support and confidence in strategy	If we fail to secure and maintain our stakeholders' (investors, suppliers, colleagues) support for our strategy, they may lose confidence in the business and withdraw their resources.	The Board holds regular meetings with shareholders and their representatives. Recent discussions have focussed on our strategic ambitions and understanding expectations to enable us to form the best plan. The new strategy for the business was launched to Colleagues through the annual team conference which was streamed live to those who were unable to attend. All colleagues were able to contribute to a Q&A session. The Senior Management Team communicate directly to Support Centre colleagues via a weekly huddle, all colleagues receive a weekly blog from the CEO and a monthly newsletter. An annual conference is held with our suppliers where we inform them of our strategic plans as key partners and listen to their insights and observations to enhance our working relationship.	• Conferences relaying strategy to our colleagues and suppliers • Continued engagement with all our stakeholders through regular updates
Sustainable business model	Changes in the UK economy (including consumer confidence and the value of the £) could materially impact our revenue and / or costs, and therefore the profitability of the business. Unless we can reduce our exposure to these economic variables (e.g. our Forex exposure and fixed cost base) we will not create a sustainable business model.	A number of strategic initiatives are underway to reduce our exposure to changes in the UK economy that adversely impact 'business as usual' and the delivery of our strategy: • procurement savings programme in place for direct and indirect costs; • supply chain efficiencies under review with opportunities for strategic sourcing alliances; • developing opportunities to lower warehouse and distribution costs; • working capital reduction programme targeted at stock holding and aligning trade creditor terms; • a formal hedging programme has been extended to reduce foreign exchange risk; • initiatives to drive revenue by extending our service offering to our existing customer base through financial services products and B2B; and • continued evaluation of the impact of the UK's departure from the European Union and the impact on trade tariffs.	• Supply chain review in progress • Working capital reduction via stock/creditors • Active monitoring of tariff situation, especially in a no-deal world • Strategic initiatives designed to secure revenue from existing customer base (e.g. Financial Services, Services, B2B) • Strategic sourcing tie-ups (Norauto etc) • Strategic sourcing strategy (post-Brexit) to understand, end-to-end, the optimum sourcing location for each product category • Review supply chain strategy – i.e. sourcing 'whole bike' vs. components • Implement our revised retail operating model

Our Principal Risks and Uncertainties

Risk Title	Risk Description	Current Mitigation	Focus in 2019 Priorities in 2020
People			
Skills shortage	We may be unable to recruit, retain and develop enough people to have the different mix of skills that we need at all levels across the business, in the near and longer term.	Our strategy requires us to attract and retain colleagues who can inspire and support our customers and encourage them to build a lifetime relationship with the brand. Through our in-house resourcing team we have developed a recruitment website which highlights the importance of the Halfords behaviours and details the skills and experience required of our future colleagues. There are clear and detailed recruitment processes in place which are reviewed regularly to respond to changes in the business. We train our managers in recruitment best practice and support them by providing up-to-date and engaging recruitment collateral to enable local attraction. In the last year, we have updated our induction programme for large parts of the business and given prominence to our development offer. In our stores, our Gears training programme provides our colleagues with structured training taking them through their first 18 – 24 months. By linking the development of skills to qualifications and reward, we use our training programme to enhance skill, reinforce our behaviours, keep colleagues engaged and reach a competitive hourly rate of pay. The quality of the Gears Training programme has led to us receiving a Princess Royal Training Award and an Ofsted Inspection outcome of 'Good' in FY19. Gears is in continual review with our in-house team of learning designers working with our commercial and operations teams to develop the programme to meet the dynamic needs of the business. This year, our in-house team developed and launched our first gamified e-learning module which was a popular and effective tool for training knowledge and behavioural change. In our Autocentres, training is a fundamental part of our business and a great attraction tool for applicants. We support the training of colleagues ranging from our Apprentices right through to a Level 3 Technician. We provide in-house Hybrid and MOT tester courses ensuring that we can service the full car parc. Conscious of the future talent requirements for our business, and especially the desire to increase the proportion of female colleagues, we are visiting 50 schools in FY20 to engage and inspire emerging talent for the future. We will create an ongoing relationship with the students we meet through an interactive digital platform and our digital mentors.	• Improved induction and performance development opportunities for colleagues • Creating a pathway for young talent to join our business

Risk movement

Risk increasing Risk decreasing No risk movement

Risk Title	Risk Description	Current Mitigation	Focus in 2019 Priorities in 2020
Staff engagement/ culture	Our employment model may not be sufficiently attractive to recruit and retain the talent that we need	Colleague engagement is vital to our success as a business. As such, it is a measure in our Executive bonus scheme and we set targets for improved engagement right across the organisation. We run an annual engagement survey, administered and analysed by a third party, which provides us with reports at team level. We create an environment which encourages colleagues to feed back to us about how we can make Halfords an even better place to work and this is clearly successful as last year we had a survey response rate of 94%. Our engagement index of 79% demonstrates that the vast majority of our colleagues enjoy working at Halfords. Following the distribution of reports across the business, every team produces an engagement action plan which includes actions that they can take locally to improve colleague engagement. Key themes are also pulled out at a Company level in order to inform improvements for the year ahead. This could include changes to reward, learning and development, tools and equipment, leadership development right through to physical changes to buildings or our IT provisions. Managers who achieve significant improvements to colleague engagement receive recognition and for those managers who receive poor engagement results a development plan is put in place to support them to improve this. Our Retail business enters the Sunday Times Best Companies Survey and in 2019 we achieved 15th place in the Best 25 Big Companies to Work For category.	• Responsive action taken to address observations of colleagues from our engagement survey • Continued development of the business tools available to our colleagues, to improve their experience in the workplace
Information Technology Systems and Infrastructure			
Cyber and data security	If we fail to sufficiently detect, monitor or respond to cyber-attacks against our systems they may result in disruption of service; compromise of sensitive data; financial loss; reputational damage. If we fail to adequately protect customer (and others') data, we may breach GDPR legislation.	We review our IT security processes and risk assessments on an ongoing basis and our IT team has dedicated IT security and continuity experts. We utilise appropriate firewalls and we have undertaken network penetration testing. In addition to ongoing Company-wide training and awareness, SIEM ("Security Information and Event Management") and IDS ("Intrusion Detection Software") tools have been introduced in-part across the Group's technology estate. Further deployment of these tools (along with the introduction of Intrusion Prevention Software) will continue once the decision regarding outsourcing elements of the IT function has been confirmed and established. The Audit Committee is briefed by senior IT management on the business' IT security framework and continues to closely monitor this area.	• System enhancements to improve our resilience to cyber-attacks • Awareness training delivered to all colleagues on Information security and cyber security threats • Maintaining our training and awareness programme • Increasing our sophistication through new system developments

Our Principal Risks and Uncertainties

Risk Title	Risk Description	Current Mitigation	Focus in 2019 Priorities in 2020
IT infrastructure failure	Failure in our IT system(s) may cause significant disruption to, or prevention of, normal business-as-usual activities	Extensive controls are in place to maintain the integrity of our systems and to ensure that systems changes are implemented in a controlled manner. Halfords' key trading systems are hosted within a secure data centre operated by a specialist company remote from our Support Centre. These systems are also supported by several disaster recovery arrangements including a comprehensive backup and patching strategy, and a hotlink secure data centre hosted in a different location. IT recovery processes are tested regularly. We are increasingly hosting more of our data in the cloud and rely on cloud-based security services from Microsoft and other third parties to protect that data.	• Recovery processes verified and desktop testing performed quarterly • Continued progression towards cloud-based security services • Testing of our continuity plan

Risk movement

Risk increasing Risk decreasing No risk movement

Risk Title	Risk Description	Current Mitigation	Focus in 2019 Priorities in 2020
Product and Service Quality and Brand Reputation			
Brands appeal and market share	If we continue to lose brand relevance we will be unable to maintain and grow our customer base and build market share.	We have an acute understanding of the factors which can influence its currency, and we focus constantly on protection, enhancement and penetration. Our strategy – To Inspire and Support a Lifetime of motoring and cycling – is the way in which we articulate our brand values and we do so in ways which attract, engage and retain customers. To differentiate ourselves in a competitive retail market, our super-specialist sub-brand proposes a customer experience that benefits from a unique and convenient approach to service in both our Retail and Autocentre businesses. To create and maintain top-of-mind awareness, we strategically partner with organisations that possess credibility and gravitas, whilst simultaneously enabling reach and relevance. In the online space, we partner with Google to build and maintain a sophisticated understanding of our current and future audiences in order to better reflect their digital needs and behaviours. At the same time, we drive quality content through our social media channels which focuses less on direct response activity in favour of a more inspirational and motivational approach. Both of these maximise our cost-effective reach and inform our future targeted digital activity. In the offline space, we have this year partnered with ITV and Channel 4. Going forward, our ITV collaboration – continuing to sponsor three-times daily weather forecast bulletins – will deliver high-volume, engaged and relevant audiences. We also partner with New Global Media; sponsoring national radio traffic and travel broadcasts. In the community too, our brand is strong and present. Halfords has been the official cycling retail partner of Bikeability, the Government-backed UK-wide cycle training programme, which promotes accessibility of cycling and safety training for young children and families. We are aligned with Netmums, the UK's biggest parenting website, which endorses our brand and our products, and which benefits from reciprocal support and advice on getting children into the saddle. Finally, across our physical stores and Autocentres estate, we deliver a connected, omni-channel customer journey and experience designed to improve accessibility and customer engagement. To underpin and intensify that approach in FY20, an integrated Group website will be launched that will provide an easy route to the consumption all of our services and products in a single location; driving brand awareness and encouraging cross-shop. The development of a customer loyalty scheme in FY20 will also both enhance and extend the reach and power of our brand going forward.	• Reaching new audiences through our partnerships in the community • Investment in our store formats • Development of a new customer experience strategy • A new digital platform offering seamless access to the brand's services and products • Introducing a loyalty programme for the benefit of our customers

Our Principal Risks and Uncertainties

Risk Title	Risk Description	Current Mitigation	Focus in 2019 Priorities in 2020
Service quality	The service we provide to customers may fail to meet regulatory / safety requirements resulting in harm to customer and / or legal / financial penalty.	All our colleagues are provided with dedicated training and adhere to established quality control and safety procedures with compliance audits by management. We also have a dedicated compliance team monitoring our Autocentre operations. We provide centralised training for our Retail colleagues through our Gears 1 & 2 programme to ensure they are consistently knowledgeable about our products and able to deliver a quality service to our customers and colleagues also complete an annual assessment of their understanding of our quality procedures. We have four equipped training academies where in 2018 we delivered 1,800 days of training for Autocentre technicians. The technician grading assessment is linked to quality of workmanship as well as skills and qualifications. Our products are risk assessed and rigorously tested for quality and safety by qualified engineers in our dedicated quality team. We monitor customer comments and complaints and, when necessary, we have established recall processes. In 2018, a new till system was introduced to our Retail stores empowering colleagues to move more freely around store and improve their interaction with customers using mobile tablets. In our Autocentres we introduced industry-leading parts ordering and stock control and a new eDiary mechanism to optimise labour availability. We continue to invest in our estate, and this is enabling us to enhance our service offering to customers by evolving the layout of our stores in addition to further developments in IT Infrastructure, training and online functionality.	• New strategy identifying service led super-specialism as a key component • Continued development of our colleagues and our estate to provide high levels of customer service
Critical physical infrastructure failure (including supply chain disruption)	Severe damage or failure of physical infrastructure may disrupt our supply chain and / or business as usual activities and prevent the fulfilment of customer orders.	Extensive research is conducted into quality and ethics before the Group procures products from any new country or supplier. The Group's strong management team in the Far East blends expatriate and local colleagues. It understands the local culture, market regulations and risks and we maintain very close relationships with both our suppliers and shippers to ensure that disruption to production and supply are managed appropriately. We work with suppliers in a number of territories to reduce the risks of disruption, and we monitor sourcing opportunities nearer to the UK. We maintain firm security and protection measures at our distribution centres. We have business continuity plans to manage any incidents that may occur. Our logistics are overseen by an experienced, dedicated warehouse and logistics team who maintain contacts with a range of logistics businesses who could be utilised if necessary. We are closely monitoring Brexit developments and preparing contingency plans for any changes in the nature of the border between the UK and the Republic of Ireland.	• Close cooperation to convey adjustments to our business model following the launch of our new strategy • Continued development of relationships with current and potential new suppliers

Risk movement

Risk increasing Risk decreasing No risk movement


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2 *Support* our customers through an integrated, unique and more convenient services offer

Read more on our Strategy on pages 24 to 27


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Board of Directors

Keith Williams N R

Chairman

Date Appointed

24 July 2018 as Chairman and Chair of the Nomination Committee.

Background

Keith is currently a Non-Executive Director and Deputy Chairman of John Lewis, a Non-Executive Director of Aviva Plc, and Deputy Chair of Royal Mail Plc. Keith will take up the appointment as Chair of Royal Mail Plc on 22 May 2019 and will step down as a Non-Executive Director of Aviva Plc on 23 May 2019. Keith is also the independent Chair of the Government supported Rail Review. Keith is a qualified Chartered Accountant.

Keith was formerly Chief Executive Officer and then Executive Chairman of British Airways.

Key Strengths

Keith brings extensive leadership and PLC board experience. He has a proven record in retail and deep experience in relevant areas such as customer service and digital.

Graham Stapleton C

Chief Executive Officer

Date Appointed

15 January 2018

Background

Previously, Graham was Chief Executive Officer ("CEO") of Dixons Carphone Plc's software business, Honeybee. Prior to that he was CEO of Dixons Carphone's Connected World Services Division from 2015 to 2017 and CEO of Carphone Warehouse UK & Ireland from 2013 to 2015.

Graham's early career covered senior leadership roles in Kingfisher Plc from 2001 to 2005 and Marks and Spencer Plc from 1994 to 2001, prior to which Graham set up and ran his own business for several years. Graham was a Trustee of the Make-A-Wish charity.

Key Strengths

Graham brings extensive PLC board skills and experience.

Loraine Woodhouse

Chief Financial Officer

Date Appointed

1 November 2018

Background

Prior to joining Halfords, Loraine spent five years in senior finance roles within the John Lewis Partnership. In 2014 Loraine was appointed Acting Group Finance Director and then, subsequently, Finance Director of Waitrose.

Prior to that, Loraine was Chief Financial Officer of Hobbs, Finance Director of Capital Shopping Centres Limited (now Intu plc) and Finance Director of Costa Coffee Limited. Loraine's early career included finance and investor relations roles at Kingfisher Plc.

Key Strengths

Loraine has extensive experience across all finance disciplines and has worked within many different sectors, latterly focusing specifically on consumer service businesses.

Committee Membership

A	C	N	R
Audit Committee	Corporate Social Responsibility Committee	Nomination Committee	Remuneration Committee

David Adams A N R

Senior Independent Director

Date Appointed

1 March 2011 as Non-Executive Director; and 1 March 2014 as Senior Independent Director.

Background

David currently holds Non-Executive Director roles at Thinksmart Ltd and Debenhams Group Holdings Ltd and chairs the Audit Committee at Thinksmart. In addition, David is Chairman of Park Cameras Limited and is a Trustee of Walk the Walk, a breast cancer charity.

Previously, David has held a number of Non-Executive roles including Conviviality Plc (Chairman), Debenhams Plc (Non-Executive Director and Chair of the Audit Committee), Fever Tree Drinks Plc (Non-Executive Director and Chair of the Audit Committee), Elegant Hotels Plc (Non-Executive Director and Chair of the Remuneration Committee) and Hornby Plc (Non-Executive Director and Chair of the Audit Committee).

David's executive career included almost ten years as Finance Director and Deputy Chief Executive of House of Fraser Plc prior to its sale in 2006.

Key Strengths

David has had a long career in the retail and consumer goods industries and brings deep and relevant experience to his role.

Helen Jones A C N R

Independent Non-Executive Director

Date Appointed

1 March 2014 as Non-Executive Director; and 7 December 2015 as Chair of the Corporate Social Responsibility Committee.

Background

Helen is a Non-Executive Director and member of the Remuneration and Audit Committees of Fuller, Smith & Turner Plc, a member of the Supervisory Board of Directors of Ben and Jerry's, and a member of the Supervisory Board and the Audit Committee for Vapiano SE.

Helen was the CEO of the Zizzi Restaurants group and was also responsible for successfully launching the Ben & Jerry's brand in the UK and Europe. Helen previously held a senior executive role at Caffé Nero.

Key Strengths

Helen brings valuable and relevant operations, marketing and branding experience in consumer-focused businesses.

Jill Caseberry A N R

Independent Non-Executive Director

Date Appointed

1 March 2019 as Non-Executive Director and the Chair of the Remuneration Committee.

Background

Jill is currently a Non-Executive Director, Remuneration Committee Chairman and member of the Audit and Nomination Committees of Northgate Plc and Bellway Plc, a Non-Executive Director and Remuneration Committee member of C&C Plc, and a Non-Executive Director and member of the Remuneration, Audit and Nomination Committees of St Austell Brewery.

During her executive career Jill gained extensive sales, marketing and general management experience across a number of blue chip companies including Mars, PepsiCo and Premier Foods. She also founded a soft drink company and established a sales and marketing consultancy.

Key Strengths

Jill brings extensive leadership experience from senior sales and marketing roles in consumer goods businesses.

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:

Topic	Report	Page
Modern Slavery Statement	Directors' Report	69
Appointment and removal of Directors	Directors' Report	66
Articles of Association	Directors' Report	68
Auditor	Directors' Report	69
Audit Committee Report	Audit Committee Report	90
Authority to issue or purchase shares	Directors' Report	68
Board of Directors	Directors' Report	66
Board effectiveness and leadership: role and composition of the Board and Committees; meeting attendance; skills and experience; independence; diversity; induction and development; evaluation; Directors and their other interests; and Board Committees	Corporate Governance Report	70
Branches outside of the UK	Directors' Report	69
Charitable donations	Strategic Report: Corporate Social Responsibility	38
Colleagues' involvement; diversity; and disability	Directors' Report	67
	Strategic Report: Corporate Social Responsibility	34
Community	Strategic Report: Corporate Social Responsibility	38
Compensation for loss of office	Directors' Report	68
Creditor payment policy	Directors' Report	69
Directors' biographies	Board of Directors	62
Directors' indemnities	Directors' Report	66
Directors' interests	Directors' Report	66
Directors' Remuneration Report and Remuneration Policy Summary	Annual Remuneration Report	94
Directors' Responsibility Statement	Directors' Report	69
Financial instruments	Note 20 to the Group Financial Statements	151
Future developments of the business	Chief Executive's Statement	08
Financial position of the Group, its cash flows, liquidity position and borrowing facilities	Chief Financial Officer's Review	44
Greenhouse gas emissions	Strategic Report: Corporate Social Responsibility	41
Going concern	Directors' Report	68
Important events since year-end	Directors' Report	69
Independent Auditor	Independent Auditor's Report	112
Internal control and risk management	Corporate Governance Report	84
Nomination Committee Report	Nomination Committee Report	86
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Topic	Report	Page
Principal activities	Directors' Report	66
Re-election of Directors	Directors' Report	66
Restrictions on transfer of securities	Directors' Report	68
Share capital	Directors' Report	67
	Note 22 to the Group Financial Statements	155
Significant shareholders	Directors' Report	67
Subsidiary and associated undertakings	Note 4 to the Company Financial Statements	163
Statement of Corporate Governance	Corporate Governance Report	70
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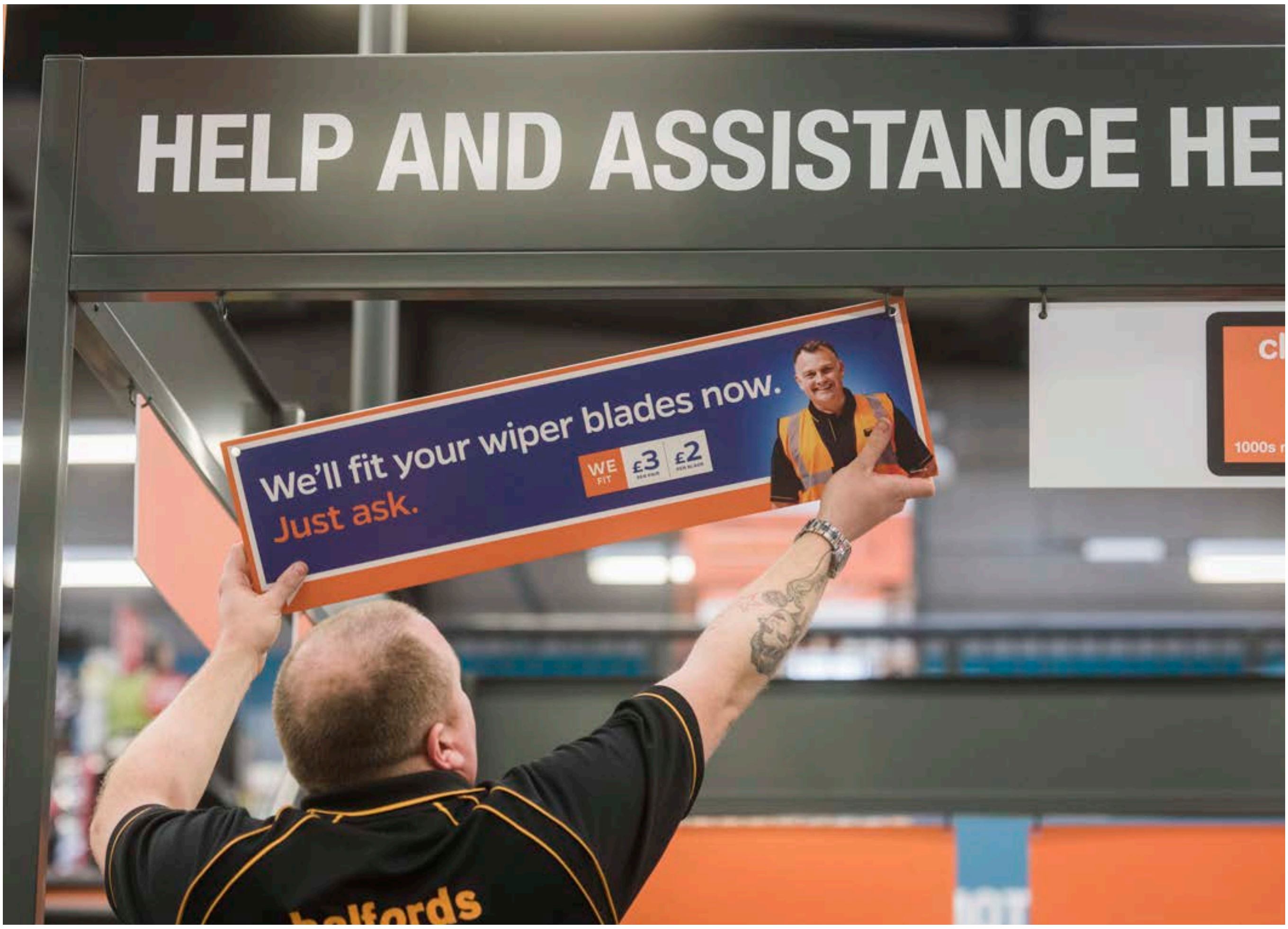
Disclosures Required by the Financial Conduct Authority's ("FCA") Listing Rule 9.8.4R

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

Disclosure	Page
Long-term incentive schemes (Performance Share Plan and Restricted Share Plan)	99 to 108
Waiver of dividends	66



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.

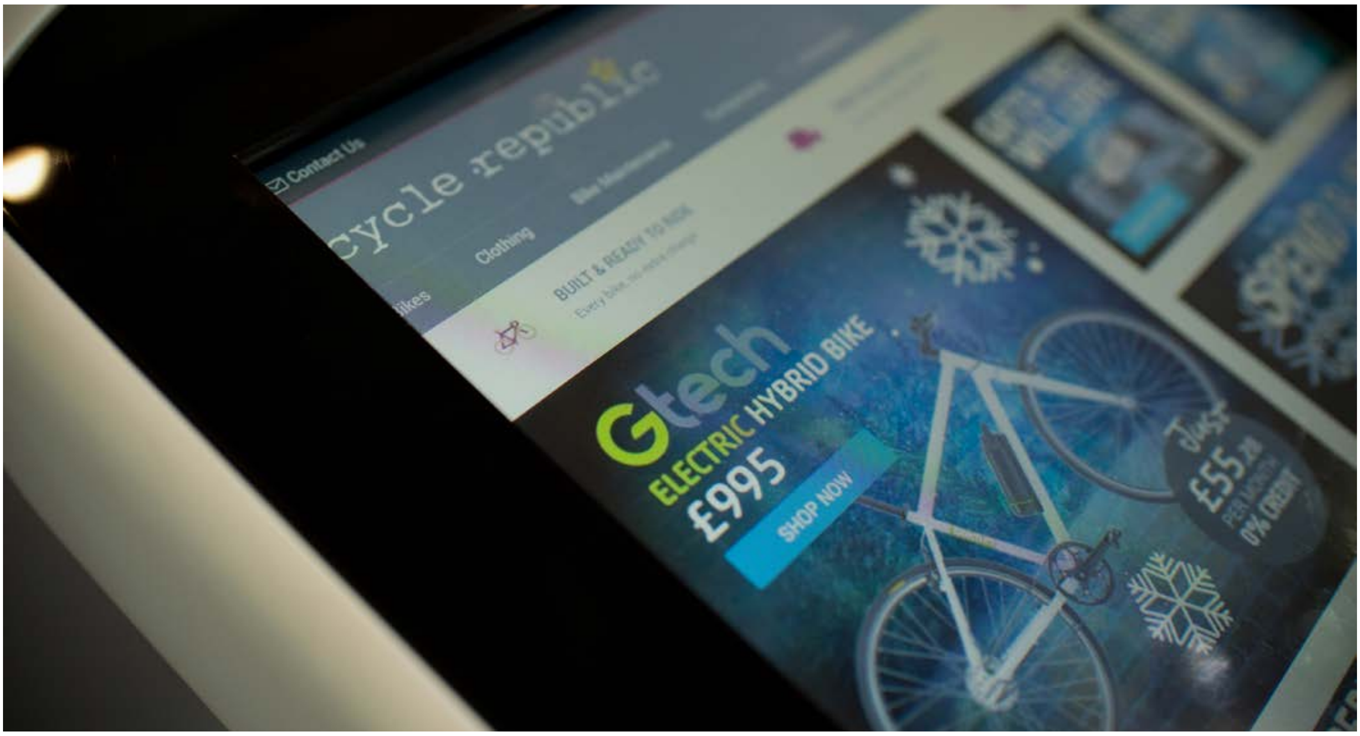
All members who hold ordinary shares are entitled to attend, vote and speak at the general meetings of the Company, appoint proxies, receive any dividends, exercise voting rights and transfer shares without restriction. On a show of hands at a general meeting every member present in person, and every 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:

i. so far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
ii. 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

Corporate Governance Report

Keith Williams
Chairman

My role is to lead the Board, ensure it operates effectively and contains the right balance of skills, diversity and experience.

Chairman's Introduction

As Chairman my role is to lead the Board, ensure it operates effectively and contains the right balance of skills, diversity and experience. The Board is collectively responsible for the long-term success of the Company and for setting and executing the business strategy.

Good corporate governance is a key element of our business success and we have in place a strong and effective governance framework and practices to ensure that high standards of governance, values and behaviours are consistently applied throughout the Group. These elements are critical to business integrity and maintaining the trust of all stakeholders in Halfords.

The following Corporate Governance Report contains a summary of the Company's governance arrangements and the regulatory assurances required under the UK Corporate Governance Code 2016.

I would encourage you to attend this year's Annual General Meeting where you can meet me and my Board colleagues.

Keith Williams
Chairman
21 May 2019

Statement of Compliance

The Board confirms that during the year ended 29 March 2019, and as at the date of this report, the Company has complied fully, and without exception, with the provisions of the UK Corporate Governance Code 2016 (the "Code"), and that it will continue to do so. A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk.

This report, together with the other statutory disclosures and reports from the Audit, Nomination and Remuneration Committees, provides details of how the Company has applied the principles of good governance set out in the Code during the period under review.

The Company has also complied with the requirements under the Disclosure Guidance and Transparency Rules, the Listing Rules and the Department for Business, Energy and Industrial Strategy ("BEIS") Directors' Remuneration Reporting regulations and narrative reporting requirements.

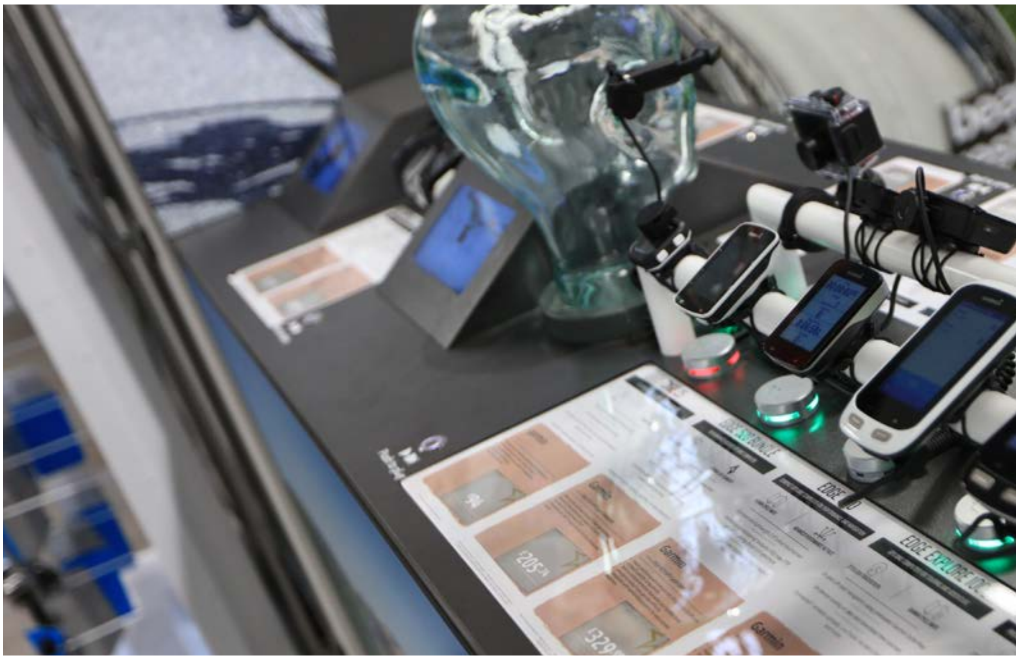
Section	Description	Further Information
Leadership	The Company is headed by an effective Board, with a clear division of responsibilities. The Chairman is responsible for leading and running an effective Board.	Learn more about the Board's division of responsibilities on page 74.
Effectiveness	The Board regularly evaluates the balance of skills, experience, independence and knowledge of Directors. All new Directors receive a tailored induction programme. A rigorous evaluation of the performance and effectiveness of the Board, the Committees and the individual Directors is undertaken annually.	Learn more about the Board's effectiveness on pages 82 and 83.
Accountability	The Board is responsible for determining the nature and extent of the Principal Risks facing the business. The Board also oversees the management responses that are taken to reduce and mitigate, in achieving its strategic objectives. Effective risk management is critical to achieving our strategy.	Learn more about our approach to risk management on page 84.
Remuneration	Having a formal and transparent policy for developing executive remuneration is crucial. The Remuneration Policy aims to attract, retain and motivate by linking reward to performance.	Learn more about our Remuneration Policy on pages 97 and 98.
Relations with Shareholders	The Board regularly meets with shareholders, and an active dialogue is encouraged.	Learn more about our shareholder engagement on page 85.

Corporate Governance Report

Board Composition

As at the date of this report, the Board of Directors comprised six members, namely the Non-Executive Chairman, three other Non-Executive Directors and two Executive Directors. The composition of the Board is set out on page 66 and the biographies of each Director, including any other business commitments, are available on pages 62 to 63. The Board believes that it has an appropriate balance of Executive and independent Non-Executive Directors having regard to the size and nature of the business. The Board also believes it has an appropriate balance of skills and experience, Further details are available on page 80.

Chairman 1
Executive Directors 2
Non-Executive Directors 3



Board changes

On 24 July 2018, Keith Williams joined Halfords as Chairman. Keith succeeded Dennis Millard who stepped down from the Board following a tenure of nine years.

On 1 November 2018, Halfords welcomed Loraine Woodhouse to the business following the resignation of Jonny Mason. Jonny tendered his resignation as Chief Financial Officer on 27 March 2018 to take up the position of Group Finance Director for Dixons Carphone plc. Jonny left Halfords on 31 July 2018, and in the period between him leaving the Company and Loraine Woodhouse joining, Katrina Jamieson, Business Transformation Director, acted as Interim Chief Financial Officer.

On 27 February 2019, Halfords announced the appointment of Jill Caseberry as Non-Executive Director and Chair of the Remuneration Committee with effect from 1 March 2019. Jill succeeded Claudia Arney who stepped down from the Board on 1 March 2019.

Board Independence

The Non-Executive Directors bring wide and varied experience to the Board and its Committees. The Company recognises the importance of its Non-Executive Directors remaining independent. This is in accordance with the Code which recommends that, at least half of the Board of Directors, excluding the Chairman should comprise Non-Executive Directors, who are determined by the Board to be independent in character and judgement and who are free from relationships or circumstances which may affect or could appear to affect the Non-Executive Director's judgement. Following a rigorous review, the Board considers David Adams, Helen Jones and Jill Caseberry to be independent in character and judgement and, therefore, that Halfords is compliant with the Code, with at least half of the Board, excluding the Chairman, deemed to be independent. The Chairman, Keith Williams was considered independent upon his appointment.

Re-election

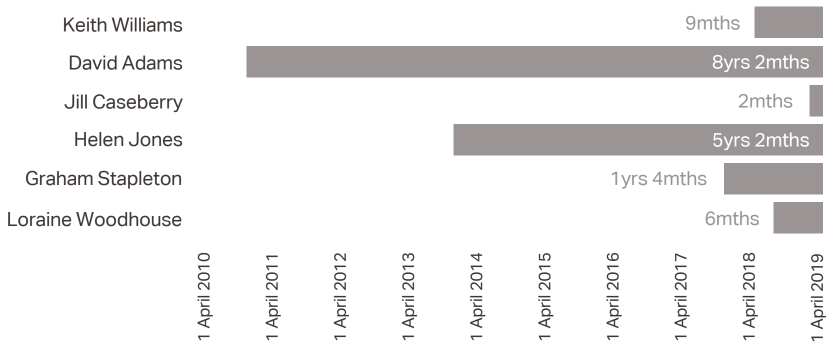
In compliance with the Code and the Company's Articles of Association, the majority of the Directors on the Board as at 21 May 2019, will seek re-election at the 2019 Annual General Meeting ("AGM"), these being, Keith Williams, David Adams, Helen Jones and Graham Stapleton. Jill Caseberry and Loraine Woodhouse will be elected for the first time at the 2019 AGM.

Board Responsibilities

The Board is responsible for the long-term success of the Company and is committed to ensuring that it provides leadership to the business as a whole, having regard to the interests and views of its shareholders and other stakeholders. It is also responsible for setting the Group's strategy, values and standards. Details of the Group's business model and strategy can be found on pages 20 to 21.

Director Tenure and Board Succession

Succession planning for the Board continues to be ongoing and is considered in detail during the annual evaluation of the Board performance. Given the appointment of the new Chairman, the Chief Financial Officer and the new Chair of the Remuneration Committee, it has been determined that the Chairman will review the composition, skills and experience of the Board and agree the priorities for the coming year.



Division of Responsibilities

The roles of Chairman and Chief Executive Officer are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board.

The Chairman is responsible for effective leadership, operation and governance of the Board and its Committees. He ensures effective communication with shareholders, facilitates the contribution of the Non-Executive Directors and ensures constructive relations between Executive and Non-Executive Directors.

The Chief Executive Officer is responsible for the management of the Group's business and for implementing the Group's strategy.

The Directors, together, act in the best interests of the Company via the Board and its Committees, devoting sufficient time and consideration as necessary to fulfil their duties. Each Director brings different skills, experience and knowledge to the Company, with the Non-Executive Directors additionally bringing independent thought and judgement. This combination seeks to ensure that no individual or group unduly restricts or controls decision-making.

A formal schedule of matters reserved for the Board is in place and regularly reviewed.

To discharge these responsibilities effectively, the Board has a system of delegated authorities, which is described on page 74. This enables the effective day-to-day operation of the business and ensures that significant matters are brought to the attention of management and the Board as appropriate. It is through this system that the Board is able to provide oversight and direction to the Executive Directors, the Executive Team and the wider business.

Matters specifically reserved for the Board include: strategy and management; corporate structure and capital; investor relations; audit, financial reporting and controls; nominations to the Board; executive remuneration and certain material contracts.

This is available at **www.halfordscompany.com/governance/ matters-reserved-for-the-board**

Corporate Governance Report

Shareholders

The Chairman – Key Responsibilities

- manages and provides leadership to the Board;
- builds an effective and complementary Board of Directors;
- sets the agenda, style and tone of Board discussions;
- facilitates and encourages active engagement in meetings, promoting effective relationships and open communication;
- ensures effective communication with shareholders and other stakeholders;
- acts as an advisor to the Chief Executive Officer;
- meets with the Non-Executive Directors without Executive Directors being present; and
- ensures constructive relations between Executive Directors and Non-Executive Directors.

The Halfords Board – Key Responsibilities

The Board is the principal decision-making forum for the Group, setting the strategic direction and also ensuring that the Group manages risk effectively. The Board is accountable to shareholders for the financial and operational performance of the Group. The Board ensures the workforce policies and practices are consistent with the Company's "Behaviours".

See page 73 for examples of the Matters Reserved for the Board. A complete list of these matters is available on the Company's website **www.halfordscompany.com/governance/matters-reserved-for-the-board**

Chief Executive Officer

Key Responsibilities:

- responsible for the day-to-day management of the Company;
- develops the Group's objectives and strategy for Board approval;
- creates and recommends to the Board an annual budget and financial plan;
- delivers the annual budget and plan and executes the agreed Group strategy and other objectives;
- identifies and executes new business opportunities and potential acquisitions or disposals; and
- manages the Group's risks in line with the Board approved risk profile.

Senior Independent Director

Key Responsibilities:

- provides a sounding board for the Chairman;
- holds meetings with the other Non-Executive Directors without the Chairman at least once a year to appraise the Chairman's performance;
- acts as an intermediary for the other Directors; and
- is available to other Directors and Shareholders in order to address concerns that cannot be raised through the normal channels.

Non-Executive Directors

Key Responsibilities:

- evaluate and appraise the performance of Executive Directors and Senior Management against agreed targets;
- participate in the development of the Group's strategy;
- monitor the financial information, risk management and controls processes of the Group to make sure that they are sufficiently robust;
- meet regularly with Senior Management;
- periodically visit Halfords and Performance Cycling retail stores, Autocentres outlets and Distribution Centres;
- meet together without the Executive Directors present;
- participate in a training programme including store visits and updates from management; and
- formulate Executive Director remuneration and succession planning.

Company Secretary

Key Responsibilities:

- works closely with the Chairman, Group Chief Executive Officer and Board Committee Chairs in setting the rolling calendar of agenda items for the meetings of the Board and its Committees;
- ensures accurate, timely and appropriate information flows within the Board, the Committees and between the Directors and Senior Management; and
- provides advice on Board matters, legal and regulatory issues, corporate governance, Listing Rules compliance and best practice.

Board Committees

The Board's principal Committees are the Audit Committee, the Nomination Committee and the Remuneration Committee, as detailed in the chart on page 76. In addition, a Corporate Social Responsibility ("CSR") Committee was established in December 2015, comprising Directors and Senior Management and chaired by a Non-Executive Director. Each Committee has its Terms of Reference approved and regularly reviewed by the Board.

This is available at **www.halfordscompany.com/governance**

On the following pages each Committee Chair reports how the Committee they chair, discharged its responsibilities in FY19 and the material matters that were considered.

Following a Committee meeting, the relevant Committee Chair provides a report to the Board. Whilst not entitled to attend, other Directors, professional advisors and members of the Executive Team and Senior Management attend when invited to do so. The external Auditor attends Audit Committee meetings by invitation. No person is present at Nomination Committee or Remuneration Committee meetings during discussions pertinent to them. The Company Secretary acts as the secretary to the principle Committees.

Matters which require Board approval between scheduled Board meetings can be approved by a Board Committee, which consists of a minimum of two Directors. The final wording of market announcements is approved prior to release by a Disclosure Committee which is made up of a minimum of two Directors. There were four Board Committee meetings and six Disclosure Committee meetings during the period.

At executive level the day-to-day investment decisions of the Group are approved by an Investment Committee, chaired by the Chief Financial Officer. Similarly, the treasury needs of the Group are managed by the Treasury Committee, chaired by the Chief Financial Officer; the other members of these executive committees are senior members of the Finance and Treasury teams.

The Board may establish other ad hoc committees of the Board to consider specific issues from time to time. No such committees were formed during the year.

Corporate Governance Report

Nomination Committee

Key Objectives:
To ensure that the Board has the balanced skills, knowledge and experience to be effective in discharging its responsibilities and to have oversight of all governance matters.

Main Responsibilities
The Nomination Committee's responsibilities include:

- making appropriate recommendations to maintain the balance of skills and experience of the Board by:
  - considering the size, structure and composition of the Board;
  - considering Senior Management succession plans; and
  - identifying and making recommendations to the Board on potential Board candidates.

More information on **Diversity in the Group** can be found on page 81.

Read more within the **Nomination Committee Report** on pages 86 to 87.

Chair:
Keith Williams

Members:
David Adams
Jill Caseberry
Helen Jones

Audit Committee

Key Objectives:
To provide effective governance over the Group's financial reporting processes. This includes the internal audit function and external Auditor. The Committee maintains oversight of the Group's systems of internal controls and risk management activities.

Main Responsibilities
The Audit Committee's responsibilities include:

- making recommendations to the Board on the appointment/removal of the external Auditor, and their terms of engagement and fees;
- reviewing and monitoring the integrity of the Company's financial statements, including its annual and interim reports and preliminary results announcements and any other formal announcement relating to its financial performance, and recommending the same to the Board;
- assisting the Board in achieving its obligations under the Code in areas of risk management and internal control; and
- focusing on compliance with legal requirements, whistleblowing, accounting standards and the Listing Rules.

Read more within the **Audit Committee Report** on pages 90 to 93.

Chair:
David Adams

Members:
Jill Caseberry
Helen Jones

Remuneration Committee

Key Objectives:
To ensure that a Board policy exists for the remuneration of the Chief Executive Officer, the Chairman, Non-Executive Directors, other Executive Directors and members of the executive management.

Main Responsibilities
The Remuneration Committee's responsibilities include:

- recommending to the Board the total individual remuneration package of Executive Directors and members of the executive management;
- approving senior executive remuneration and oversight of remuneration matters generally;
- recommending the design of the Company's share incentive plans to the Board, approving any awards to Executive Directors and other executive managers under those plans and defining any performance conditions attached to those awards;
- determining the Chairman's fee, following a proposal from the Chief Executive Officer; and
- maintaining an active dialogue with institutional investors and Shareholder representatives.

Read more within the **Remuneration Committee Report** on pages 94 to 108.

Chair:
Jill Caseberry

Members:
Keith Williams
David Adams
Helen Jones

The Nomination, Audit and Remuneration committees' full Terms of Reference are available on the Company's website at **www.halfordscompany.com/governance/committees-terms-of-reference** or on request from the Company Secretary.

How the Board operates

The Board and its Committees have a scheduled forward programme of meetings. This ensures that sufficient time is allocated to each relevant discussion and activity and the Board's time is used effectively.

The table below shows the attendance of Directors at the Board and Committee meetings held during the year. In addition to those scheduled meetings, unscheduled Board and Committee meetings were convened throughout the year as and when the need arose. Meetings were convened to discuss and approve the appointments of Keith Williams as Chairman, Jill Caseberry as a Non-Executive Director, and Loraine Woodhouse as Chief Financial Officer, together with Loraine's associated remuneration package. Furthermore, three additional Board calls were held during the period to discuss the Forex hedging arrangements, Merger and Acquisition activity and to approve the appointment of the new external Auditor. These additional meetings were all quorate, and all Directors received the relevant papers and provided the required approval. During the year the Board also held three Strategy meetings to discuss the Company's strategic review.

Board Member	Board Scheduled: 8	Audit Committee Scheduled: 3	Remuneration Committee Scheduled: 4	Nomination Committee Scheduled: 2	CSR Committee Scheduled: 2
Executive Directors					
Graham Stapleton	8/8	N/A	N/A	N/A	2/2
Loraine Woodhouse (Appointed: 1 Nov 18)	4/4	N/A	N/A	N/A	N/A
Jonny Mason (Resigned: 31 Jul 18)	3/3	N/A	N/A	N/A	N/A
Non-Executive Directors					
Keith Williams (Appointed: 24 Jul 18)	6/6	N/A	3/3	2/2	N/A
David Adams	8/8	3/3	4/4	2/2	N/A
Jill Caseberry (Appointed: 1 Mar 19)	1/1	1/1	1/1	1/1	N/A
Helen Jones	8/8	3/3	4/4	2/2	2/2
Dennis Millard (Resigned: 24 Jul 18)	3/3	N/A	2/2	0/0	N/A
Claudia Arney (Resigned: 1 Mar 19)	7/7	2/2	3/3	1/1	N/A

Other members of the Executive Team and advisors attended Board meetings by invitation as appropriate throughout the year.

At each Board meeting, the Chief Executive Officer delivers a high level update on the business, and the Board considers specific reports, reviews business and financial performance, key initiatives, risks and governance. In addition, throughout the year the Executive Team and other colleagues deliver presentations to the Board on proposed initiatives and progress on projects.

Corporate Governance Report

Summary of Board Activity in FY19

Topic	Key activities and discussions in 2018/19	Key priorities in 2019/20
Strategy	• Reviewed and approved Group Strategy, its budget and plan; and • Approved presentations to the City.	• Focus on the delivery of the Capital Market Day objectives.
Financial and Risk Management	• Reviewed monthly business reviews and trading performance; • Reviewed and approved FY19 budget and forecast and FY20 outline plan and budget; • Reviewed and approved dividend recommendations and dividend policy; • Reviewed and approved debt decision and hedging proposal; • Reviewed and approved prelim, interim and trading updates; and • Considered the update on the external audit tender from the Audit Committee.	• Ensure delivery of the FY20 budget, taking account of uncertain economic conditions; • Simplify Board reporting; and • Transition to the new external Auditor.
Governance	• Reviewed and approved Group policies and the Group risk register; • Reviewed and approved Directors' Conflicts of Interest register; and • Considered updates on the Group's GDPR readiness.	• Ensure adherence to new Corporate Governance Code developments; • Ensure Brexit implications are understood and monitored; and • Review the management team to ensure talent pipeline.
Shareholder and Stakeholder Relations	• Reviewed prelim, interim and trading update approaches and announcements; • Reviewed monthly investor relations reports; • Reviewed and approved Annual General Meeting notice and form of proxy; • Regularly reviewed draft sections of the FY18 Annual Report; • Reviewed Shareholder body reports; and • Discussed the Group's Corporate Social Responsibility Strategy.	• Conduct investor perception study, and implement any recommended changes; • Ensure relationships are built between the new management team and Shareholders; and • Ensure the CSR team is developed.
Commercial Matters	• Reviewed and approved the Bikeability partnership; • Approved large contract renewals; • Approved TV sponsorship with ITV; • Reviewed Customer Service and NPS presentation and mystery shopping trial; • Reviewed stock and customer experience updates, We Fit Service and Cycling improvement plans; • Reviewed regular updates from Halfords Autocentres Managing Director, and the Director of Performance Cycling; and • Received regular Brexit updates.	• Oversee progress of plans which support improvements in retail and support plans for services development; • Implement website development; • Develop organisational culture to implement plans; and • Deliver improvements in product and services consistency.
Board Matters	• Reviewed the outcome of the external Board evaluation; and • Approved the appointment of the new Non-Executive Director and Chief Financial Officer appointed during the year.	• Ensure succession plans are in place; • Undertake full appraisal of Board performance; and • Ensure the Board provides the support for the new management team.

Board in Action

Store Visits

In July, Helen Jones, Non-Executive Director, spent the day with the Chief Executive Officer, Graham Stapleton, visiting stores and Autocentres in the Reading area. It was a good opportunity to review the new merchandising plans and marketing materials, as well as to understand from colleagues which of the promotional offers were gaining the most traction. For Autocentres the new PACE system was starting to be fully operationalised.

Helen said, "I always value time with our colleagues in store. We learn so much about what's working well and what needs our attention. It's also important to witness the Halfords experience for our customer and it's gratifying to see our expert colleagues in action. Their knowledge is all important and it's clear that our customers really appreciate the quality of our service when delivered well."

Audit Tender

It was decided at the Audit Committee that Halfords would look to tender the provision of audit services to the Group. David Adams, as Chair of the Audit Committee, met with the Head of Group Financial Reporting to set the parameters for the process, this included having a short-list of suitably qualified audit firms, and making the appointment in time for the successful firm to be in place to shadow KPMG through the FY19 year-end process.

It was imperative that the firms tendering had sufficient access to information, key people within the finance function, members of the Audit Committee, the Board and the senior management team to allow them to get a full perspective on the business.

Tender documents were issued in November 2018, following which proposals were received and reviewed. The audit firms delivered their final presentations in December 2018. The Halfords team who received the presentations included the Chair of the Audit Committee, the Chief Executive Officer and the Chief Financial Officer. In February 2019, the Board approved the recommendation that BDO be appointed, which will be formally approved by shareholders at the AGM on 31 July 2019. BDO has worked closely with the Halfords Finance team and KPMG through the FY19 year-end.

Opening of new Cycle Republic store in Bold Street, Liverpool

In November 2018, Helen Jones, Non-Executive Director, joined the Managing Director of Cycle Republic and Tredz Bikes, Peter Kimberley, at the opening of the new Cycle Republic store in Bold Street, Liverpool. A queue of customers had formed bright and early along with the local press, eagerly awaiting the start of the official proceedings.

Following the 'ribbon cutting', the doors opened to reveal an impressively presented store. Colleagues immediately engaged with customers and Helen and Peter took the opportunity to review the layout and ranges on display. They chatted with the store manager, area manager and technicians.

Corporate Governance Report

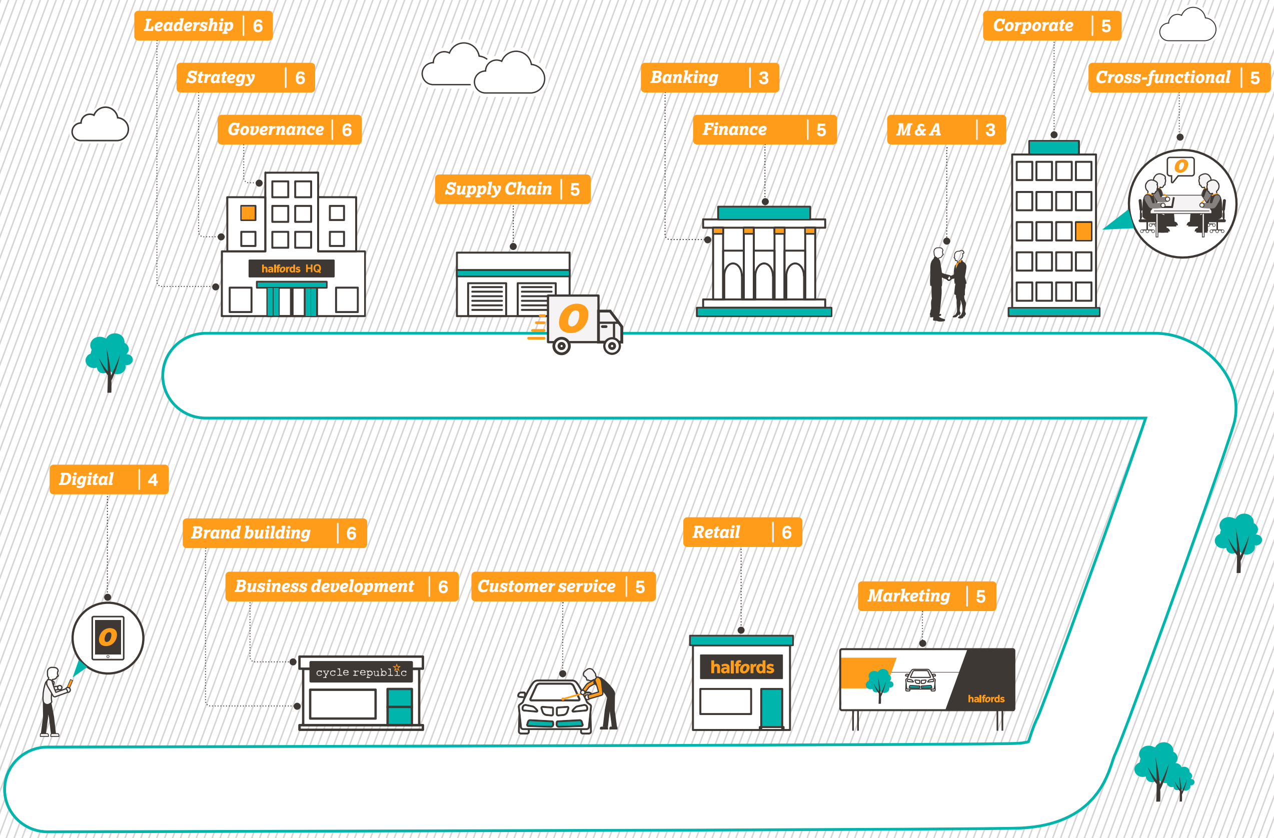
Concerns

The Chairman seeks to resolve any concerns raised by the Board, whether these arise in a Board meeting or in another forum. Where raised and unresolved in a Board meeting, the unresolved business can be recorded on behalf of a Director in the minutes of the relevant meeting. A resigning Non-Executive Director would also be able to raise any concerns in a written letter to the Chairman, who would bring such concerns to the attention of the Board. No such concerns have been raised throughout the period.

Skills and Experience of the Board

Delivering the journey

The below graphic illustrates the number of Directors on the Board who have the relevant skills and experience.



Diversity

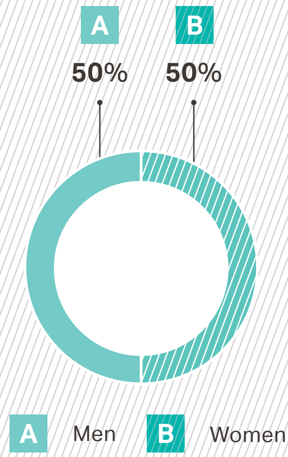
The Group recognises the importance of diversity, including gender diversity, at all levels of the organisation. The Group's Diversity Policy (the "Policy") is reviewed annually and sets out our commitment to eliminating unlawful discrimination and promoting equality of opportunity. The Policy is applied to the Group including the Board and it is considered that the background and experience brought to the Board by each individual Director exemplifies and personifies the Board's commitment to its Diversity Policy.

The Group does not apply a fixed quota on diversity to decisions regarding recruitment. The Nomination Committee considers the Policy and ensures we have a sufficiently diverse Board in terms of age, gender and educational and professional background. The Nomination Committee also keeps under review the structure, size and composition of the Board. Additionally, it considers the capability and capacity to commit the necessary time to the role in its recommendations to the Board. The intention is to ensure the appointment of the most suitably qualified candidate to complement and balance the current skills, knowledge, experience and diversity on the Board. Those appointed are deemed to be the best able to help lead the Company in its long-term strategy. At Halfords half of the Board is female, which exceeds the recommended target as published by the Hampton-Alexander Review ("Improving Gender Balance in FTSE Leadership") in November 2017. The charts demonstrate the gender split at Board level, within Senior Management and across the workforce as a whole.

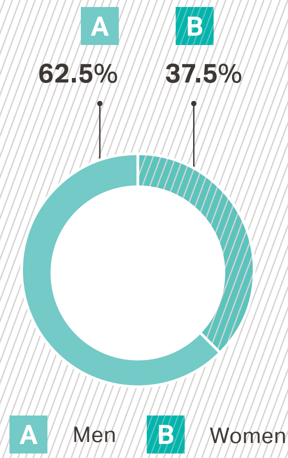
The Board is well placed by the mixture of skills, experience and knowledge of its Directors to act in the best interests of the Company and its shareholders.

Key Facts

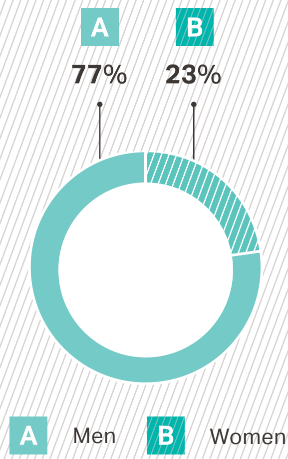
Board Level



Senior Management



All Colleagues



Corporate Governance Report

Induction Process

1

Understand the Business

- Governance induction programme covering external governance matters (e.g. Listing Rules and Directors' Duties) and internal governance matters (e.g. Board and Committees and policies);
- Induction material, such as Board and Committee papers, Committees' Terms of Reference, Investor Presentations etc; and
- Meeting with external relevant advisors (e.g. Jill Caseberry met with the Remuneration consultants).

2

Meet the Management Teams

- One-to-one meetings with the Directors, the Executive Team and Senior Management from key areas of the business.

3

Visit the Business

- Visit the Group's stores, Autocentres and other operational and distribution sites.

Effectiveness

Directors' Induction

New Directors receive a comprehensive and tailored induction programme on joining the Board. The induction programme facilitates their understanding of the Group and the key drivers of the business's performance. Keith Williams, Loraine Woodhouse and Jill Caseberry each received a full and personally-tailored induction programme following their appointments in July 2018, November 2018 and March 2019 respectively.

Directors' Development and Training

All Directors have opportunity for ongoing development and support via:

- a programme of visits to the Support Centre, Distribution Centres, Retail stores, Autocentres and Performance Cycling stores;
- reviews with the Chairman to identify any training and development needs;
- advice on governance, regulatory and legislative changes affecting the business or their duties as Directors from the Company Secretary;
- access to independent professional advice at the Company's expense; and
- membership of the Deloitte Academy, a training and guidance resource for Boards and Directors.

Board Evaluation

A formal and rigorous Board effectiveness review is conducted on an annual basis. This includes an assessment of the effectiveness of the Board, its Committees and individual Directors.

In FY19, an internal review was carried out and the process was completed as follows:

1

- Identify and agree questions with the Chairman and the Senior Independent Director.

2

- Circulate the review to all Directors.

3

- Receive and collate responses in a report to the Chairman and the Senior Independent Director;
- Identify areas for action; and
- Present the report to the Board.

The findings identified by the FY19 review are as follows:

	Newly established Board	Delivery of the strategy	Response to regulatory changes
FY19 findings	There have been significant changes during the period starting with the appointment of Keith Williams the new Chair, followed in October by Loraine Woodhouse joining as the new Chief Financial Officer and in March by Jill Caseberry as Chair of the Remuneration Committee. Given these new appointments, the Directors felt that it was too early to evaluate the Board's performance as a whole and therefore their responses focused instead on the need take the correct steps to ensure that the Board is fully integrated with the business and so becomes as effective as possible during the coming year. Achieving this is regarded as being of particular importance in relation to the delivery of the new Strategy.	The new Strategy is intended to be transformational so that the business is in the best possible place to thrive in future years. The Board recognises that the Group has to differentiate itself from purely online retailers and therefore the continued growth of the services business is of particular importance. The Board is fully aware that the way the Strategy is the executed will be crucial and so will ensure that all investment choices will be rigorously assessed.	The Board has identified that their ongoing training will be particularly important this year. This is especially so given the significant changes in the regulatory landscape for strategically important new areas (such as the provision of financial services to customers) and also in regard to the impact of the new UK Corporate Governance Code. The Board intends that regular updates and training will be provided to it throughout the year.

Progress on FY18 evaluation (external review)

In FY18 an external review was carried out by Lintstock, the findings were reported in the 2018 Annual Report. Details of progress made on these areas are set out below:

	Supporting new Board members	Strategy review	Understanding the business	Board composition and succession planning
FY18 Outcomes	Keith Williams' main priority in his first year as Chairman, together with the Board should be to support Graham Stapleton as Chief Executive Officer.	Supporting the new Chief Executive Officer, Graham Stapleton, with the strategic review.	Understanding the business, markets and stakeholders.	Completing recruitment and addressing talent and succession.
Progress made in FY19	Keith and the Non-Executive Directors have assisted Graham throughout the period, which has been his first as the Chief Executive Officer of a FTSE Listed PLC. In particular, Keith and the Board have supported him in undertaking a thorough review of all areas of the business and then using this review to identify transformational opportunities. This review involved an assessment of the Group's current organisational structure as well as the researching of new markets and different trading activities, which will provide growth going forward.	During the period, Keith and the Non-Executive Directors have supported Graham, in setting the new Strategy (and supporting business plan) for the next three years. The previous strategy 'Moving Up a Gear' was a three-year programme introduced by Graham's predecessor which ended in October 2018. This was replaced by the new strategy which aims to 'Inspire and Support a lifetime of Motoring and Cycling'. The new Strategy was presented to analysts and investors at a Capital Markets Day held in London on 27 September 2018.	As part of the preparations for the launch of the new Strategy, a comprehensive 'discovery phase' was undertaken. This involved a detailed review of all parts of the business and included in depth analysis of markets in which the Group operates. This enabled the business to fully understand: • its strengths, • its market differentiators; and • its opportunities for future growth.	The period has seen significant changes in both the Board of Directors and the executive leadership team. This started with the appointment of the new Chairman which took effect immediately following last year's AGM and then continued with the appointments of Loraine Woodhouse who joined in October as Chief Financial Officer and Jill Caseberry who became Chair of the Remuneration Committee in March 2019. In addition, the Chief Executive Officer has made some significant changes to the executive management team. Investment into identifying and then recruiting, the best available talent to deliver the new Strategy will continue during FY20.

Corporate Governance Report

Directors and their Other Interests

Details of the Directors' service contracts, and emoluments, as well as the interests of the Directors and their immediate families in the share capital of the Company and options to subscribe for Company shares, are shown in the Directors' Remuneration Report on pages 94 to 108.

In line with the requirement 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), and a register of these is maintained by the Company Secretary.

All Directors are aware of the need to consult with the Company Secretary should any possible situational conflict arise, so that prior consideration can be given by the Board as to whether or not such conflict will be approved.

Risk Management and Internal Control

The Board is responsible for the Group's risk management processes and the system of internal control. This involves ensuring that there is a process to identify, evaluate and manage any significant risks that may affect the achievement of the Group's strategic objectives. The Board considers its appetite in relation to the Group's risks, determining whether the risks and mitigating actions are appropriate to the level of risk. During the year the Board conducted a review of significant risks. The Group's principal risks and uncertainties, and mitigating actions are detailed in the Strategic Report on pages 50 to 58.

The risk management and internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and provides reasonable, not absolute assurance against material misstatement or loss. The Board has established a continuous process for identifying, evaluating and managing risks faced by the Group and assessing the effectiveness of related controls to ensure an acceptable risk/reward profile. The accuracy and completeness of the Corporate Risk Register is regularly reviewed by Senior Management supported by Internal Audit.

The Audit Committee approves and monitors delivery of the Internal Audit Plan for the year which is risk-based and includes assurance of core control processes. The Head of Internal Audit provides an update at each Audit Committee meeting, reporting on any key control weaknesses identified and progress made against mitigating actions. The Audit Committee held three scheduled meetings in the year and provided the Board with updates on the effectiveness of internal controls.

Our process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls routinely identifies areas for improvement. The Board has neither identified nor been advised of any failings or weaknesses that it has determined to be material or significant.

The management of risk and review of the internal control environment is a continual process supported by all colleagues. The Board supports the development of risk maturity and a strong control culture and will continue to improve the quality of risk reporting.

Shareholder Engagement

Key Themes Discussed with Shareholders in FY19

- The new strategy "To inspire and support a lifetime of motoring and cycling"
- The dynamics of the motoring and cycling markets, including both current and future market and sector trends
- The impact of foreign exchange volatility due to Brexit
- Gross and operating margin performance
- Medium-term financial targets, with particular focus on, increasing free cash flow over the period FY19 to FY21 compared to three years ago, and growing the ordinary dividend every year
- Board and management changes and succession planning
- Capital allocation priorities, in particular, maintaining a prudent balance sheet and investment for growth.

The Chairman is responsible for ensuring that appropriate channels of communication are established between Directors and shareholders and that Directors are aware of any issues or concerns that major Shareholders may have. Regular engagement provides investors with an opportunity to discuss any areas of interest and raise concerns. The Group is eager to make sure that it understands Shareholders' views and that it is able to communicate its strategy in the most effective way. The Group engages through regular communications, the Annual General Meeting and other investor relations activity (such as the investor perception study).

Investor Relations Programme

The Group has a comprehensive investor relations ("IR") programme through which the Chief Executive Officer, Chief Financial Officer and the Head of Investor Relations regularly engage with the Company's largest shareholders on a one-to-one basis, to discuss strategic issues and give presentations on the Group's results. Further communication is achieved through the Annual Report and Accounts, corporate website and investor meetings as follows:

- Annual Report and Accounts – this is the most significant communication tool, ensuring that investors are kept fully informed regarding Group developments. Management continually strives to produce a clear and easily accessible Annual Report and Accounts, which provides a complete and transparent picture;
- the corporate website – provides investors with timely information on the Group's performance as well as details of corporate social responsibility activities;
- management roadshows – allow key investors access to management. These are usually attended by the Chief Executive Officer, the Chief Financial Officer and the Head of Investor Relations;
- attending broker conferences – management regularly attends and presents at various conferences hosted by a variety of brokers to ensure a wide variety of existing shareholders and potential shareholders, including those from different geographies, also have access to management so that the strategy and performance of the Company can be explained; and,
- responding promptly – the Group is committed to responding to any investor related queries within a short time frame.

IR calendar for FY19

May 2019	• FY19 Prelim Results • UK Management Roadshow
July 2019	• Annual General Meeting
Sept 2019	• FY20 20 week Trading Update
Nov 2019	• FY20 Interim Results • UK Management Roadshow
Jan 2020	• FY20 Q3 Trading Statement

We aim to encourage our shareholders to receive communications by electronic means, helping to make the Company more environmentally friendly. Information available on the Company's website includes current and historic copies of the Annual Report and Accounts, full and half-year financial statements, market announcements, corporate governance information, the Terms of Reference for the Audit, Nomination and Remuneration Committees and the Matters Reserved for the Board.

The Annual General Meeting gives all shareholders the opportunity to communicate directly with the Board and their participation is welcomed. The Chairs of the Remuneration, Nomination, Audit and Corporate Social Responsibility Committees will be present at the Annual General Meeting and will be in a position to answer questions relevant to the work of those Committees. It is the Company's practice to propose separate resolutions on each substantial issue at the Annual General Meeting. The Chairman will advise shareholders on the proxy voting details at the meeting.

By order of the Board.

Tim O'Gorman
Company Secretary
21 May 2019

Nomination Committee Report

Keith Williams

Chair of the Nomination Committee

The Committee's key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge, experience and diversity to ensure that the Board is effective in discharging its responsibilities.

Chair's Letter

The Committee's role is to:

- review the size, structure and composition of the Board;
- consider succession planning; and,
- identify and make recommendations on potential candidates to join the Board.

The Committee's key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge, experience and diversity to ensure that the Board is effective in discharging its responsibilities. During the year, the Committee oversaw the process for the appointment of: the Group's new Chief Financial Officer, Loraine Woodhouse; the new Non-Executive Director, Jill Caseberry, who is also the Chair of the Remuneration Committee; and my appointment as Chairman.

Keith Williams
Chair of the Nomination Committee

2 **Nomination Committee meetings held**

Committee Composition

During the year, the Committee comprised:

Keith Williams
(Chair – appointed 24 July 2018)
David Adams
Helen Jones
Jill Caseberry (appointed 1 March 2019)
Dennis Millard (Chair – resigned 24 July 2018)
Claudia Arney (resigned 1 March 2019)

Two scheduled Committee meetings were held during the year, and were attended by all members. In addition, a further three unscheduled meetings were held to approve the Terms of Reference for the appointments of Keith Williams as Chairman, Loraine Woodhouse as Chief Financial Officer and Jill Caseberry as a Non-Executive Director. After each Committee meeting, I, and prior to my appointment, my predecessor Dennis Millard, reported to the Board on the key issues that we had discussed. A number of informal discussions, particularly relating to the appointment of the new Board members, were also held with the Committee members throughout the year when the need arose.

Activities During the Year

During the year, the Committee's main focus was on the search for a new Chief Financial Officer and a new Non-Executive Director and Chair of the Remuneration Committee.

During the year, the Committee also:

- considered the Terms of Reference regarding the appointments and roles of the new Chief Financial Officer and the new Non-Executive Director and Chair of the Remuneration Committee;
- reviewed the composition of the Board and its succession plan;
- carried out an annual review of the Committee's Terms of Reference;
- recommended re-election of the Board at the forthcoming Annual General Meeting; and
- reviewed the results of the Board performance evaluation process.

2018/19 Key Achievements

- Identifying and appointing Loraine Woodhouse as a new Chief Financial Officer; and
- Identifying and appointing Jill Caseberry as a new Non-Executive Director and Chair of the Remuneration Committee

Areas of Focus in 2019/20

- to assist the management team in developing its relationship with the Board and business; and
- appraisal of the Board's own performance through independent assessment.

Board Appointments

As detailed in the FY18 Annual Report, I was appointed Chairman of the Company with effect from 24 July 2018. The search for a Chief Financial Officer was concluded in July 2018 with the announcement confirming the appointment of Loraine Woodhouse with effect from 1 November 2018. Loraine replaced Jonny Mason who resigned on 31 July 2018, following the announcement on 27 March 2018. Odgers Berndston were appointed as advisors to the Committee in the search for these external candidates. The Committee also considered and appointed Katrina Jamieson as Interim Chief Financial Officer with effect from July 2018 until Loraine Woodhouse joined the Company in November 2018.

On 1 March 2019, Claudia Arney's term of appointment came to an end and she stepped down from the Board on that day. The search for a Non-Executive Director and Chair of the Remuneration Committee was concluded in February 2019 with the announcement of the appointment of Jill Caseberry with effect from 1 March 2019. Odgers Berndston were appointed as advisors to the Committee in the search for external candidates.

In both instances, the process was led by myself, as Chairman, together with the Committee. Odgers Berndston do not have any other connection with the Company.

Diversity

The Group's Diversity Policy ("Diversity Policy") sets out our commitment to eliminate discrimination and to encourage diversity and equality across the Board of Directors and amongst all our colleagues, irrespective of their gender, race, ethnic origin, disability, age, nationality, national origin, sexual orientation, gender reassignment, marital or civil partnership status, pregnancy or maternity, religion, beliefs and social class. The Board has not considered it necessary to set a formal target for including diversity on the Board because half of our Board is female and we are in excess of the recommended target published by the November 2017 Hampton-Alexander Review. Our Diversity Policy applies to all our activities, including our role as an employer and as a provider of services, ensuring that no colleague, potential colleague, customer, visitor or contractor will receive less favourable treatment on the grounds of gender, race, ethnic origin, disability, age, nationality, national origin, sexual orientation, gender reassignment, marital or civil partnership status, pregnancy or maternity, religion, beliefs and social class. The Company does not currently publish specific diversity targets but in practice, we have created a more balanced and diverse Board and Executive Team. We continue to work to monitor these issues across the entire business, in particular in relation to gender diversity.

Further information regarding Board diversity can be found on page 81.

Looking Ahead

The Committee will continue to assess the Board and Executive Management Team composition and how they both may be enhanced.

Keith Williams
Chair of the Nomination Committee
21 May 2019

The Terms of Reference for the Committees are available at **www.halfordscompany.com/governance**

Board appointment process

1

- Identify and appoint external search consultancy; and
- Identify and approach suitable candidates.

2

- Interview suitable candidates;
- Make a formal offer; and
- Consider the requirements of the Terms of Reference in relation to the appointment.

3

- Announce appointment; and
- Commence induction programme

Corporate Social Responsibility Committee Report

Helen Jones
Chair of the CSR Committee

We constantly look to ensure that our Corporate Responsibility Strategy is aligned to our Company goals and values.

Chair's Letter

In the last year we have delivered on our Corporate Social Responsibility ("CSR") initiatives.

We have four CSR pillars which we focus on:

- Colleagues;
- Community;
- Environmental Management; and
- Responsible Trading.

We constantly look to ensure that our Corporate Social Responsibility Strategy is aligned to our Company goals and values. With a new Company Strategy (launched at the Capital Markets Day last year), we have invested appropriate resource in developing a new CSR Strategy, to be launched in the second half of next year to ensure this alignment continues.

Helen Jones
Chair of the CSR Committee

2 **CSR Committee meetings held**

Committee Composition and Meetings

The Committee consisted of:

Helen Jones (Chair)
Graham Stapleton
Clare Moore (appointed 1 November 2018)
Andy Randall
Jonathan Crookall (resigned 1 November 2018)
Ian Carter (resigned 12 February 2019)

There were two Committee meetings held during the year and after each one, I reported to the Board on the key issues that we covered. I held informal discussions between Committee members and business leaders throughout the year as the need arose and have worked closely with these leaders and our appointed agency to support the development of the new CSR Strategy.

Activities undertaken

During the year the Committee:

- ensured short and long-term objectives for the Company's CSR activities are in place;
- ensured key metrics are reported on;
- ensured all related policies are regularly reviewed and updated;
- carried out our annual review of the CSR policy as part of our Strategy work;
- carried out our annual review of the Committee's Terms of Reference; and
- reviewed proposed changes in forthcoming CSR-related regulations and governance.

2018/19 Key Achievements

- Signing of the Armed Forces Covenant
- Roll out of our support of Bikeability (the successor to the Cycling Proficiency Scheme), in partnership with the DfT
- Continued fund-raising with NSPCC
- Development of a new CSR Strategy

Areas of Focus 2019/20

- Reviewing our base position across our key strategic pillars
- Defining our objectives and approach
- Resetting our ambition and targets for 2019 and beyond
- Evolving our CSR committee to include internal sustainability advocates

Further information on corporate social responsibility in the Group, including environmental details on emissions, can be found on pages 32 to 42 of the Strategic Report.

Future CSR Strategy

We are currently undergoing a full review of our CSR activity in order to reset our direction of travel and ambitions for 2019 and beyond. After spending time understanding our base performance we'll develop, relaunch and commit to a new CSR Strategy in order to adapt to be sustainable for the long-term.

In addition to refining our base plan, we have been working hard to develop a 'north star' to help guide our future thinking and sustainability objectives. This 'north star' will act as a platform and framework to help shape all future activity to ensure we have focus in creating shared value for the business, society and the environment.

Helen Jones
Chair of the CSR Committee
21 May 2019

The Terms of Reference for the Committees are available at **www.halfordscompany.com/governance**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Audit Committee Report

David Adams
Chair of the Audit Committee

The Audit Committee has continued its work of reviewing the effectiveness of Halfords' corporate governance framework with emphasis on the quality of financial reporting, internal control and risk management.

Chair's Letter

I am pleased to present the report of the Audit Committee for the financial year ended 29 March 2019.

Throughout the year, the Audit Committee has continued its work of reviewing the effectiveness of Halfords' corporate governance framework with particular emphasis on the quality of financial reporting, internal control, and risk management systems. The Committee monitors risk and internal control through engagement with the external Auditor, internal auditors and executive management. The latter regularly present management briefings to the Committee, explaining in detail how selected key areas of business risk are managed.

This report explains in detail how the Committee undertook its duties.

David Adams
Chair of the Audit Committee

3 **Audit Committee meetings held**

Committee Composition

During the year the Committee consisted of:

David Adams (Chair)
Helen Jones
Jill Caseberry (appointed 1 March 2019)
Claudia Arney (resigned 1 March 2019)

Three scheduled Committee meetings were held during the year and were attended by all relevant members at the time of the meeting. In addition, a further unscheduled meeting was held to discuss the audit tender process. After each Committee meeting the Audit Committee Chair, reported to the Board on the key issues discussed.

Membership and Remit of the Audit Committee

Membership

All the members of the Audit Committee are independent Non-Executive Directors. David Adams is considered by the Board to have recent and relevant financial experience to chair the Committee, having been the Deputy Chief Executive and Finance Director of House of Fraser Plc, and over the last few years has chaired six listed companies' Audit Committees, including one currently. Each of the other independent Non-Executive Directors has, through their other business activities, significant experience in financial matters. The Audit Committee as a whole is considered to have competence relevant to the sector in which the Company operates. The effectiveness of the Audit Committee is reviewed at least annually through discussions at the Board and Audit Committee.

2018/19 Key Achievements

- Considered and recommended to the Board the appointment of the new external Auditor in succession to KPMG
- Reviewed the year-end and half-year Chief Financial Officer's reports
- Reviewed the external Auditor's year-end and half-year reports
- Approved the non-audit fee policy
- Reviewed the statement of external Auditor's independence
- Reviewed the Internal Audit full-year report
- Reviewed and approved the Internal Audit Charter
- Reviewed the Internal Audit progress reports including regular updates on the Company's risk management and internal control systems
- Reviewed and recommended the Preliminary and Interim results announcements to the Board for approval
- Reviewed the anti-bribery and corruption risk assessment and reviewed and approved the Anti-Bribery and Corruption Policy
- Reviewed and approved the Committee's Terms of Reference
- Reviewed the update on a new Accounting Standard
- Reviewed and approved the external Auditor's annual strategy and fees
- Reviewed and approved the Whistleblowing Policy

The Chairman of the Company's Board, Executive Directors, senior managers and key advisors are invited to attend meetings as appropriate in order to ensure that the Committee maintains a current and well-informed view of events within the business, and to reinforce a strong risk management culture. The Audit Committee meets according to the requirements of the Company's financial calendar. The meetings of the Audit Committee also provide the opportunity for the independent Non-Executive Directors to meet without the Executive Directors present and to raise any issues of concern with the external Auditor. There have been three such meetings in the period ended 29 March 2019 and nothing of note was reported.

Remit
The Audit Committee's responsibilities include:

- making recommendations to the Board on the appointment of the external Auditor, including on effectiveness, independence, non-audit work undertaken (against a formal policy) and remuneration;
- reviewing the accounting principles, policies and practices adopted throughout the period;
- reviewing and approving external financial reporting for adoption by the Board;
- assisting the Board in achieving its obligations under the UK Corporate Governance Code in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the Listing Rules;
- reviewing the Corporate Risk Register and regular Internal Audit reports on developments in the internal control framework to ensure that an effective system of internal financial and non-financial controls is maintained on an ongoing basis;
- approving a formal Whistleblowing Policy whereby colleagues may, in confidence, disclose issues of concern about possible malpractice or wrongdoings by any of the Group's businesses or any of its employees without fear of reprisal, including arrangements to investigate and respond to any issues raised;
- approving the Company's systems and controls for the prevention of bribery and corruption, including the receipt of any reports on non-compliance;
- listening to and reviewing presentations on key topics or salient risk areas, which in the last two years has included GDPR, cash-in-stores controls and tax strategy, supplier rebates and contributions, cyber security and global sourcing;
- approving the Group's Tax Policy and published tax strategy; and
- approving the Group's Treasury Policy, including foreign currency and interest rate exposure.

The Audit Committee has reviewed its Terms of Reference and its composition during the year and believes that both are appropriate.

Copies of the full Terms of Reference are available on the Company's website or on request from the Company Secretary.

The Terms of Reference for the Committees are available at **www.halfordscompany.com/investors/governance**

Significant Issues in Relation to the Financial Statements

In order to discharge its responsibility to consider accounting integrity, the Committee carefully considers key judgements applied in the preparation of the consolidated financial statements which are set out on pages 120 to 125. The Committee's review included consideration of the following key accounting judgements:

Impairment of Goodwill associated with Autocentres (Car Servicing):

- following the acquisition of Nationwide Autocentres in 2010, the Group holds significant goodwill in the Halfords Autocentres business. There are a number of factors that could impact on the future profitability of the business (e.g. loss of key customers, change in market behaviour) and therefore, there is a risk that the business may not meet the growth projections necessary to support the carrying value of the intangible asset (see Note 10 on page 143 of the Financial Statements); and
- the Audit Committee has received detailed reports from Halfords' finance team and reports from the external Auditor addressing this issue. The finance team has undertaken detailed work to consider the impairment of goodwill associated with Autocentres. Consideration has been given to ensuring that cash flow models, discount rates, sensitivity analysis and centre profitability are all reasonable. It was concluded that no impairment is required. The Committee concluded that it is satisfied with the accounting treatment of impairment of goodwill.

Audit Committee Report

Valuation of inventory within the Retail division:

- with the business holding a wide range of stock, it is likely that changing consumer demands will mean that some lines cannot be sold or will be sold at below the carrying value. Provisions are made to reflect this. Given the difficulties in forecasting market trends, there is a risk that inventory provisions made will be inappropriate or incomplete (see Note 13 on page 146 of the Financial Statements). Management have fully reviewed the inventory provision in the current year and believe the level of provisioning is appropriate. Range reviews are regularly undertaken to ensure that all discontinued inventory is identified; and
- the Audit Committee has received detailed reports from Halfords' finance team and reports from the external Auditor addressing this issue. The finance team has undertaken detailed work around the valuation of inventory within the Retail division. After consideration of the accuracy of the provisioning model, the completeness and accuracy of range reviews, and the reflection of these reviews within the provisions, the Committee concluded that it is satisfied with the accounting treatment of the valuation of inventory.

External Auditor

Effectiveness of External Audit

The effectiveness of the External Audit is considered throughout the year through, amongst other factors: assessment of the degree of the audit firm's challenge of key estimates and judgements made by the business; feedback from any external or internal quality reviews on the audit; and the wider quality of communication with the Committee.

In addition, at its meeting in March 2019, the Committee performed a specific evaluation of the performance of the external Auditor considering the areas set out above and feedback from management. Following this, the Committee concluded that:

- the overall audit approach, materiality, threshold, and areas of audit focus were appropriate to the business; and
- the audit team possessed the necessary quality, expertise and experience to provide an independent and objective audit.

Approach to Appointment or Reappointment

KPMG LLP (formerly KPMG Audit plc) was appointed as external Auditor to the Group in 2009 following a formal tender process. Since that time, KPMG LLP has complied with the partner rotation requirement set out in Ethical Standards for Auditors. The most recent rotation took place last year with Michael Froom becoming Halfords' audit partner.

During FY19, the Committee decided to hold a competitive audit tender process for rotation of the audit firm in respect of FY20. The tender process was overseen by the Audit Committee and the management of the process was delegated to the Chair of the Committee and the Chief Financial Officer. The Company announced, on 6 February 2019 that BDO LLP had been successful in the audit tender process and will therefore be appointed, subject to approval by shareholders at the AGM in July 2019, as its new external Auditor with effect from the year commencing 30 March 2019. BDO LLP have therefore been shadowing KPMG during the FY19 year end audit process and have attended Committee meetings prior to their appointment. The Committee would like to record its thanks to KPMG and its partners and staff for its many years of service to the shareholders of Halfords.

The Committee is satisfied that BDO LLP is independent and is best placed to conduct the Company's audit for FY20 and therefore recommends that BDO LLP be appointed as the Company's Auditor.

Approach to Safeguarding Objectivity and Independence if Non-Audit Services are Provided

The Audit Committee has established a policy to ensure that any non-audit services delivered by the external Auditor will not jeopardise objectivity and independence. The policy is consistent with the Ethical Standards for Auditors.

The policy specifies:

"The external Auditor can be used to provide non-audit services subject to any non-audit engagement proposal provided by the external Auditor being formally approved by the Audit Committee before contractual arrangements are entered into, except for activities set out in a list of prohibited activities. Other than for these, for each separate service proposed to be provided by the external Auditor, the Group Chief Financial Officer will prepare a note either to be tabled and minuted at an Audit Committee meeting or to be circulated via email to the Audit Committee members and the Chief Executive Officer giving a description of the work to be undertaken, the reasons why the external Auditor is involved in the proposal and how objectivity and independence has, and is seen to be, safeguarded.

In addition, the fees for any proposal for non-audit services will not exceed 70% of the three-year average statutory audit fees when taken into consideration with total fees for non-audit services already committed in the financial year.

Consent is required from the Audit Committee Chair on behalf of the Audit Committee before the external Auditor can be engaged for non-audit services."

In addition, the external Auditor follows its own ethical guidelines and continually reviews its audit team to ensure that its independence is not compromised.

An analysis of the fees earned by the external Auditor is disclosed in Note 3 on page 139 to the Financial Statements.

Role and Effectiveness of Internal Audit

The Company has a dedicated in-house Internal Audit team, with recourse to external specialists where necessary. An annual programme of audits that addresses the effectiveness of the control environment is based on an assessment of the risks to the business. The Audit Committee reviews the annual audit programme for coverage and may revise according to changing business circumstances and requirements. The Audit Committee also ensures that there are sufficient resources to undertake the audit programme.

The Internal Audit programme features reviews covering financial and commercial processes, governance issues and key risk safeguards. The executive summaries of all internal audit reports are circulated to Audit Committee members and discussed at meetings where appropriate.

The Audit Committee is satisfied that the Internal Audit team has the quality, experience and expertise appropriate for the business.

Internal Audit reports to the Chief Financial Officer but has a direct line of communication to the Audit Committee Chair. The findings of the independent audits are reported initially to executive management and any necessary corrective actions are agreed. Summaries of these reports are presented to, and discussed with, the Audit Committee along with details of progress against action plans as appropriate. The internal audit reports are distributed to the external Auditor as and when they are completed during the year.

Whistleblowing

A Whistleblowing Policy and procedure (the "Policy") enables colleagues to report concerns on matters affecting the Group or their employment, without fear of recrimination. Posters publicising whistleblowing channels are distributed to all stores, Autocentres, Distribution Centres and the Support Centre.

The Policy was reviewed and approved by the Audit Committee and was subject to an Internal Audit review during the year. The Company Secretary provides the Audit Committee with a regular summary of whistleblowing contacts and resolutions.

Anti-Bribery and Corruption Policy

The Group's Anti-Bribery and Corruption Policy statement reinforces that the Halfords Board is committed to conducting its business affairs so as to ensure that 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 Group has a detailed Anti-Bribery and Corruption Policy and maintains Gifts and Hospitality Registers. 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.

Internal Control and Risk Management

Details of the Group's internal control and risk management framework are set out on pages 50 to 58.

David Adams
Chair of the Audit Committee
21 May 2019

Remuneration Committee Report

Jill Caseberry
Chair of the Remuneration Committee

The Committee has carefully considered recent developments in corporate governance, particularly the publication of the new UK Corporate Governance Code and agreed changes in a number of areas to reflect best practice.

Chair's Letter

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Report for the financial period ended 29 March 2019.

Claudia Arney stepped down from the Board on 1 March 2019 having served nine years on the board as an independent Non-Executive Director. I replaced Claudia as Chair of the Remuneration Committee from this date and I would like to thank her for both her contribution to the Remuneration Committee over the years and her support during the handover.

The Report consists of three sections:

- Annual Statement – A summary of the key messages on pay for FY19, and our approach for FY20;
- Summary Remuneration Policy Report – The Company's Remuneration Policy (the "Policy") was approved at the 2017 AGM. No changes have been made to the Policy and accordingly, we are not seeking approval for a new Policy this year. A copy of our full Policy is available on our website; and
- Annual Directors' Remuneration Report – This summarises the remuneration outcomes for FY19 and explains how we intend to apply the Remuneration Policy in FY20.

Jill Caseberry
Chair of the Remuneration Committee

4 Remuneration Commitee meetings held

FY19 Business Context

Despite a challenging UK consumer environment the group delivered like-for-like sales growth of +1.1%. Underlying Profit Before Tax of £58.8m was disappointing down £12.8m, this was primarily driven by a lower motoring mix year-on-year due to mild winter temperatures, weakened consumer confidence in the run up to Christmas, retail cost inflation and investment in strategic projects. Cash generation remains strong, and despite unseasonal weather and Brexit related challenges, the Group reduced stock holding through effective inventory management. Services-related sales represent 24% of the overall Group sales, this is an improvement year-on-year and supports our credentials as a service-led retailer.

Remuneration Outcomes for FY19

Annual bonuses for FY19 were based 80% on Group PBT performance and 20% on Strategic KPIs. Any payment under the strategic element of the bonus is subject to the threshold PBT target being met. Group PBT targets were not met and therefore no bonuses were paid in respect of FY19.

The current Executive Directors were not in the business when PSP awards were granted in 2016. Other Senior Executives within the business, however, received awards based 75% on EBITDA performance and 25% on revenue growth performance. Performance targets were not met and therefore no portion of these award shall vest.

Remuneration Policy Implementation

2018 PSP awards

In September 2018 the Chief Executive Officer, Graham Stapleton, set out a new vision for Halfords which focused on investing in our offering to create an even more specialist, unique and differentiated shopping experience for customers, to fully leverage the combined strength of the Retail services and Autocentres businesses and to harness the power of data to build lifelong relationships with customers. Further details of this strategy are set out on pages 24 to 25.

In light of the ongoing review and development of our strategy, the PSP award for 2018 was delayed until October to ensure that the performance measures and targets fully aligned with our ongoing strategy. At the September Capital Markets Day, Graham set out the Group's ambition to deliver improved Free Cash Flow through a combination of: (i) improved operating cash flows as a result of our customer strategy; (ii) a disciplined approach to capital expenditure; and (iii) improvements in working capital though a focus on stock and creditors. Given this strategic focus, it was announced at the Capital Markets Day that the Committee determined that it was important that Free Cash Flow was included as a performance measure for the 2018 PSP in respect of 25% of the award to support management in achieving these objectives. The performance targets for 2018 PSP awards are set out on page 102.

Remuneration for FY20

The CEO's salary was reviewed and increased by 2% to £545,700 with effect from 1 October 2018. This increase is in line with the increases awarded across the wider workforce. Loraine Woodhouse joined the Board on 1 November 2018 in the role of CFO. Her salary was set at £350,000 per annum.

Key Areas for 2018/19

- Reviewing the new UK Corporate Governance Code and other developments in shareholder guidance and considering the Company's response
- Determining remuneration packages for joining and departing executive directors
- Setting performance targets for 2019/20 bonus and PSP awards which are appropriately stretching in the context of the business' evolving strategy and business circumstances

The maximum annual bonus opportunity remains at 150% of base salary. Annual bonuses continue to be based 80% on Group PBT performance and 20% on strategic objectives. For 2019/20 the strategic measures for the annual bonus will be based on NPS, employee engagement, Group services-related revenue and Operating Cash Flow. Given the broadening of the strategic focus set out at the Capital Markets Day and the strategic importance of delivering strong cash flow the Committee considered that these metrics are appropriate.

The maximum PSP awards will continue to be 200% of base salary. Performance measures will be the same as for 2018 awards – 50% based on EPS growth, 25% based on revenue growth and 25% based on free cash flow. Performance targets have been set to be challenging but realistic taking into account expected performance over the next three years. Targets are set out on page 107.

The Committee carefully considered whether it would be appropriate to reduce the level of PSP awards for FY20 in light of the share price which has fallen by around 25% since the FY19 awards were granted. However, given the increase in the stretch of the targets for FY20 awards and the fact that management are relatively new in role, the Committee considered that it was appropriate to maintain the current award level to ensure that management are fully incentivised to drive performance and deliver value for shareholders over the next three years.

Changes to Reflect the Code

During the year the Committee has been carefully considering recent developments in corporate governance, particularly the publication of the new UK Corporate Governance Code.

In response to the new Code, the Committee has determined that for any new Executive Directors appointed to the Board from 1 April 2019, the pension opportunity will be reduced from 15% of salary to 3% of base salary, in line with the policy for the majority of the workforce.

Taking into account shareholder guidance we have expanded our malus and clawback provisions to reflect a broader range of circumstances including a material failure of risk management, corporate failure and serious reputational damage. We have also taken steps to ensure that the Committee has the ability to exercise discretion if appropriate. If a situation arises where the Committee could exercise its discretion it will only do so in compliance with the principles set out in the Code.

Remuneration Review

During 2019/20, the Committee will be undertaking a thorough review of our Remuneration Policy in advance of submitting a new Policy to shareholders at the AGM in 2020 in accordance with the DRR reporting regulations. The focus of this review will be on ensuring that our remuneration arrangements remain appropriate in the context of our evolving strategy and business circumstances and the approach taken for the wider workforce. As part of this review we will also consider our approach to post-employment shareholding guidelines.

Executive Director Changes

During the year, Jonny Mason left the Board and Loraine Woodhouse joined in the role of CFO. In considering the appointment and departure terms for these individuals, we have sought to act fairly and not pay any more than is necessary, while wishing to ensure a successful transition between individuals for the benefit of Halfords and our shareholders.

Loraine Woodhouse

Loraine Woodhouse joined the Board on 1 November 2018. Her remuneration arrangements are in line with our Remuneration Policy.

In April 2019, Loraine was made a payment of £7,909 to reflect the pro-rated bonus she forfeited on leaving her previous employer Waitrose. This amount was of equivalent value to the payment she would have received in her previous role, taking into account performance achieved. This amount was paid at a similar time to the forfeited payment.

Leaving Arrangements for Jonny Mason

In March 2018, it was announced that Jonny Mason had resigned from his role as CFO and he left the business on 31 July 2018. As set out in last year's report, Jonny received the cash element of his FY18 bonus. On cessation of employment, Jonny forfeited the deferred element of his FY18 annual bonus, together with all other unvested Deferred Bonus Plan, Performance Share Plan, and Sharesave awards.

Concluding Remarks

I hope that you find the Report clear, transparent and informative. The Committee has sought to promote a remuneration environment that strongly aligns the commercial direction of the Group with the interests of shareholders, whilst reflecting best practice developments and market trends. I look forward to your support at the Company's Annual General Meeting.

Jill Caseberry

Chair of the Remuneration Committee

21 May 2019

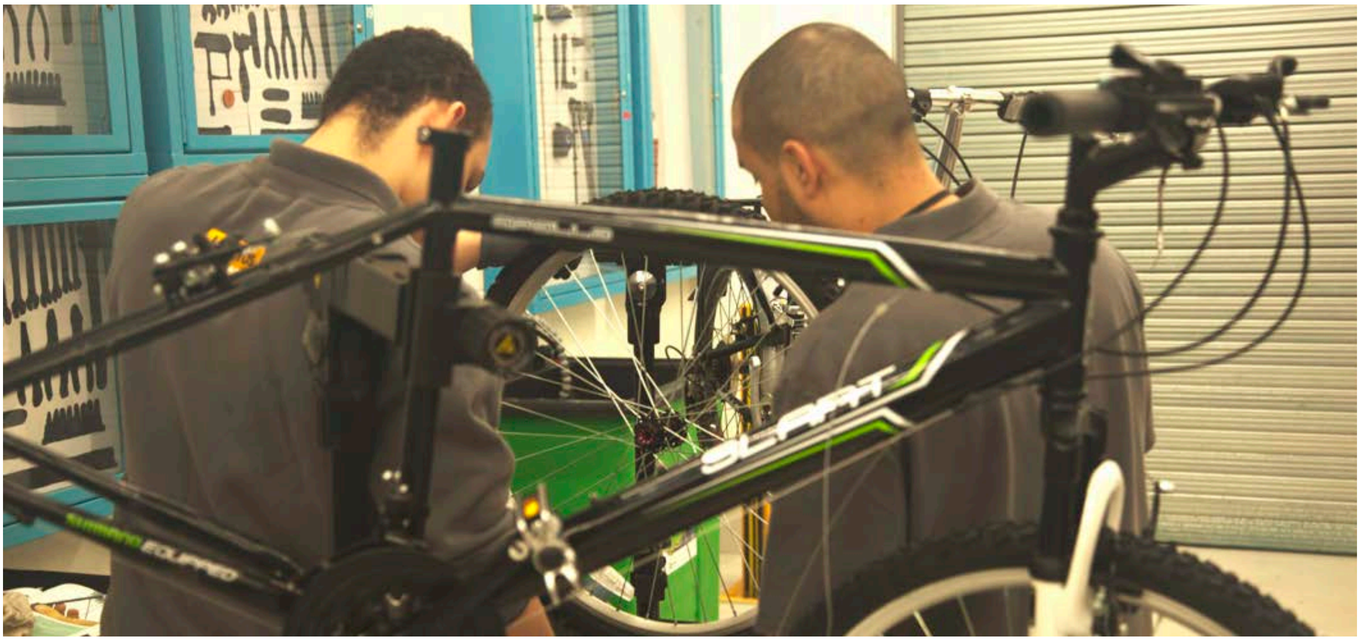
Directors' Remuneration Policy Summary Report

Our Directors' Remuneration Policy was approved by shareholders at the 2017 AGM. The full Policy is available on the Company's website, but as context for the rest of this report, the main elements of the Policy, as well as how the Policy was implemented during the year, are summarised below:

Elements	Objective	Key features	Implementation in FY19	Implementation in FY20
Base salary	Attract and retain talent of an appropriate calibre.	Reviewed annually, with changes typically effective from October. Maximum salary increases generally in line with wider employees.	Graham Stapleton – £545,700, increased by 2% in line with the increases awarded across the wider workforce with effect from 1 October 2018. Loraine Woodhouse – £350,000 (appointed 1 November 2019)	No change. Salaries will next be reviewed with effect from 1 October 2019 and it is expected that any increase will be in line with the increase received for the wider workforce.
Benefits	Provide market competitive benefits consistent with the role.	Set at an appropriate level taking into account the individual's circumstances and market practice.	Executive Directors received benefits including life assurance, private health insurance and a company car or equivalent allowance, to the following total values: Graham Stapleton – £20,869 p.a. Loraine Woodhouse – £4,667 p.a.	No changes proposed.
Pension	To provide individuals with retirement arrangements.	Contributions made either to defined contribution pension schemes or as an equivalent cash allowance. Total contribution capped at 15% of salary.	All Executive Directors received cash allowances of 15% of salary.	Executive Directors will receive cash allowances of 15% of salary. For any new Executive Directors appointed to the Board from 1 April 2019 the pension opportunity will be limited to 3% of base salary in line with the policy for the majority of the workforce.
Annual bonus	Incentivise the achievement of annual financial targets and key strategic objectives.	Maximum opportunity of 150% of salary. One-year performance period. One-third of any award is deferred into shares for three years. Malus and clawback provisions apply.	Based on performance against Group PBT targets (80%) and key strategic objectives (20%) (NPS, employee engagement, service-related sales growth and digital sales). Any payment under the strategic element of the bonus is subject to the threshold PBT target being met. Group PBT targets were not met and therefore, despite strong progress against some of the strategic objectives, no bonuses were paid.	Executive Directors will have a maximum opportunity of 150% of base salary. 80% will be based on Group PBT, 20% on key strategic objectives. For 2019/20 the strategic measures for the annual bonus will be based on NPS, employee engagement, Group services-related revenue and Operating Cash Flow. Given the broadening of the strategic focus set out at the Capital Markets Day and the strategic importance of delivering strong cash flow, the Committee considered that these metrics are appropriate. Targets have not been disclosed at the current time as they are considered to be commercially sensitive. The Committee intends to disclose targets in next year's Directors' Remuneration Report. One-third of any bonus earned will be deferred into shares for three years.

Directors' Remuneration Policy Summary Report

Elements	Objective	Key features	Implementation in FY19	Implementation in FY20
Performance Share Plan	Align interests with those of shareholders by incentivising individuals to deliver the strategy, create a sustainable business and maximise shareholder returns.	Maximum opportunity of 200% of salary. Three-year performance period. Two-year holding period after vesting. Malus and clawback provisions apply.	No Executive Director had outstanding 2016 PSP awards so there were no vesting events in respect of FY19. Graham Stapleton was granted 2018 PSP awards over 200% of salary. Shortly following her appointment in November 2018, Loraine Woodhouse was granted a 2018 PSP award over 200% of salary. Vesting dependent on performance against underlying EPS growth (50%) and revenue growth (25%) targets, and Free Cash Flow (25%) with a net debt to EBITDA ratio underpin. Targets are disclosed on page 102. Shares vesting are subject to a two-year holding period.	Executive Directors will have a maximum opportunity of 200% of salary for FY20. No changes to performance measures. The Committee carefully considered whether it would be appropriate to reduce the level of PSP awards for FY20 in light of the share price which has fallen by around 25% since the FY19 awards were granted. However, given the increase in the stretch of the targets for FY20 awards and the fact that management are relatively new in the role, the Committee considered that it was appropriate to maintain the current award level to ensure that management are fully incentivised to drive performance and deliver value for shareholders over the next three years.
Shareholding guidelines	Align individuals with shareholders.	Executive Directors are encouraged to acquire and retain shares equal to a value of at least 200% of their salary. Expectation that 75% of any post-tax shares that vest from incentive plans are retained until the guideline is met.	Executive Directors were subject to a 200% of salary shareholding guideline. Executive Directors are expected to retain 75% of any post-tax shares that vest under any share incentive plans until this shareholding guideline is reached. There have not been any share incentive plan vestings this financial year.	No change. We will consider our approach to post-employment shareholding guidelines as part of the wider review of Remuneration Policy being undertaken during 2019/20.



Annual Remuneration Report

Structure and Content of the Remuneration Report

This Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"). This Report meets the requirements of the UK Listing Rules and the Disclosure Guidance and Transparency Rules.

The information set out below represents auditable disclosures referred to in the Independent Auditor's Report on pages 112 to 119, as specified by the UK Listing Authority and the Regulations.

Committee Composition

During the year the Committee consisted of:

Jill Caseberry (Chair – appointed 1 March 2019)
Keith Williams (appointed 24 July 2018)
David Adams
Helen Jones
Dennis Millard (resigned 24 July 2018)
Claudia Arney (Chair – resigned 1 March 2019)

Four scheduled Committee meetings were held during the year, and were attended by all relevant members at the time of the meeting. In addition a further four unscheduled meetings were held to approve; the executive bonus targets for FY19 following the announcement of the new strategy; the exit arrangements of the Chief Financial Officer Jonny Mason; the remuneration arrangements for the appointment of Loraine Woodhouse as Chief Financial Officer; and discussed and approved remuneration arrangements for the Executive Management Team below the Board. After each Committee meeting the Remuneration Committee Chair, reported to the Board on the key issues that we had discussed. A number of informal discussions were also held with the Committee members throughout the year when the need arose.

Activities during the Year

During the year, the Committee has:

- reviewed and approved the Directors' Remuneration Report in the FY18 Annual Report and Accounts;
- discussed and approved executive FY18 bonus payments;
- discussed and reviewed attainment against the performance conditions for the Performance Share Plan ("PSP"), the Restricted Share Plan ("RSP") and Company Share Option Scheme ("CSOS") due to vest during the period;
- discussed and approved the performance conditions for the FY18 PSP awards in light of the new Strategy, and approved the introduction of the third performance condition "Free Cash Flow" to the FY18 PSP award;
- approved FY18 grants under the PSP, the RSP (to senior managers below the Board) and the Sharesave Scheme;
- discussed and approved the departing Chief Financial Officer's remuneration arrangements on leaving;
- discussed and recommended, to the Halfords Group plc Board, the terms of the remuneration package for the new Chief Financial Officer;
- discussed and approved remuneration arrangements for the Executive Management Team below the Board;
- reviewed the financial and strategic FY19 bonus metrics and targets;
- considered and approved the amendment of the NPS target for FY19 to reflect the different methodology adopted by the NPS provider;
- reviewed and approved the amended share plan rules across all share plans to ensure compliance with the General Data Protection Regulations ("GDPR");
- reviewed the mechanics and assets of the Employee Benefit Trust and hedging arrangements;
- considered and reviewed the executive pay review with effect from 1 October 2018;
- considered the approach to implementing remuneration policy for FY20;
- reviewed remuneration arrangements for the wider workforce and took these into account when considering executive pay;
- reviewed the changes to the UK Corporate Governance Code and other developments in shareholder guidance and considered the Company's response to these changes;
- reviewed the Committee's Terms of Reference in light of the new UK Corporate Governance Code; and
- reviewed and approved the appointment of remuneration advisors.

Advisors and Other Attendees

During the year, the Committee has been supported by Clare Moore, Group People Director and her predecessor Jonathan Crookall, together with Tim O'Gorman, Company Secretary (who acts as secretary to the Committee). The Chief Executive Officer and Chief Financial Officer also attend Committee meetings on occasion, at the request of the Committee; they are never present when their own remuneration is discussed. In carrying out its responsibilities, the Committee is authorised to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination. During the year, the Committee has taken advice from Deloitte LLP ("Deloitte"), which advised on performance measures for the PSP, remuneration reporting, share option evaluations and other remuneration matters. Deloitte also provided unrelated advice on tax, accounting standards and internal reorganisation during the year. Total fees paid to Deloitte in respect of remuneration advice were £9,750, charged on a time and materials basis.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to the Remuneration Consultants Group Code of Conduct when providing services. The Committee considers Deloitte's advice independent and impartial, and is also satisfied that the Deloitte engagement team does not have connections with the Company that might impair their independence. The Committee considered the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Willis Towers Watson also provided the Committee with executive salary market data. Willis Towers Watson is also a signatory of the Remuneration Consultants Group Code of Conduct. Fees paid to Willis Towers Watson for this advice were £4,030. Willis Towers Watson also provide insurance broking services and employee benefits services to the Group.

Annual Remuneration Report

Shareholder Dialogue

The voting outcome from the 2017 Annual General Meeting reflected very strong individual and institutional shareholder support for our Directors' Remuneration Policy (the "Policy"). We consulted extensively with shareholders prior to introducing the new Policy. Furthermore the voting outcome from the 2018 AGM showed strong support for our FY18 Directors' Remuneration Report.

We continue to be mindful of the views of our shareholders and other stakeholders and are open to discussion with shareholders on any issue related to executive remuneration. During 2019/20 the Committee will be undertaking a thorough review of our Remuneration Policy in advance of submitting a new Policy to shareholders at the AGM in 2020 in accordance with the DRR reporting regulations. The focus of this review will be on ensuring that our remuneration arrangements remain appropriate in the context of our evolving strategy and business circumstances and the approach taken for the wider workforce. We intend to consult with our largest shareholders regarding this review in due course.

In the event of a substantial vote against a resolution in relation to Directors' remuneration, we would seek to understand the reasons for any such vote to determine appropriate actions and detail any such actions in response to it in the Directors' Remuneration Report.

The following table sets out the votes cast at the 2017 AGM in respect of the Directors' Remuneration Policy, and the votes cast at the 2018 AGM in respect of the previous year's Directors' Remuneration Report.

	% of votes For	% of votes Against
FY18 Directors' Remuneration Report (2018 AGM)*	97.53%	2.47%
FY17 Directors' Remuneration Policy (2017 AGM)†	99.04%	0.96%

* 1.89m votes (1.13% of votes) were withheld in relation to this resolution.
† 457,000 votes (0.27% of votes) were withheld in relation to this resolution.

How the Remuneration Policy was Implemented in FY19 – Executive Directors

Single remuneration figure (audited)

2018/19	Base Salary (£)	Bonus (£)	Benefits (£)	Pension (£)	PSP[1] (£)	Other (£)	Total "Single Figure" (£)
Graham Stapleton	**540,329**	**–**	**20,869**	**80,919**	**–**	**—**	**642,117**
Loraine Woodhouse	**145,833**	**–**	**4,667**	**21,875**	**–**	**7,909[2]**	**180,284**
Jonny Mason[3]	**121,367**	**–**	**5,763**	**18,205**	**–**	**—**	**145,335**
2017/18							
Graham Stapleton[4]	115,917	115,802[5]	15,908	17,387	–	1,553,337[4]	1,818,351
Jonny Mason[6]	399,752	176,971[7]	18,348	59,479	–[8]	–	654,550
Jill McDonald[9]	247,095	–	10,026	38,250	–	–	295,371

1. Neither Graham Stapleton nor Loraine Woodhouse held Performance Share Plan awards which vested in the year. The table below shows the history of PSP award vesting over the last five years. PSP awards granted to other senior management in 2016 did not vest as the performance conditions were not met.
2. A payment of £7,909 was made to Loraine in April 2019 to replace her pro-rated bonus from her previous employer Waitrose, equivalent to the amount she would have received based on performance.
3. Jonny Mason announced his resignation as Chief Financial Officer on 27 March 2018 and left the business on 31 July 2018.
4. Upon joining on 15 January 2018, Graham was entitled to buy-out awards to compensate him for remuneration forfeited when leaving his previous employer, Dixons Carphone plc. These awards were structured on a like-for-like basis with awards forfeited. Awards were structured as follows: (1) In compensation for the 2018 annual bonus he forfeited on leaving Dixons Carphone plc Graham received a cash payment of £269,026 in July 2018. (2) In compensation for share incentive awards forfeited on leaving Dixons Carphone plc, he received an award of 185,872 shares. For the purpose of the single figure these have been valued based on the average mid-market closing share prices on each of the last five trading days prior to the date of the announcement of his appointment of £3.1672, giving a value of £588,694. These shares will vest in January 2021, subject to him not having resigned before that date. This matches the release profile of the forfeited award. (3) Graham also received an award of £695,617 in July 2018 (the first £100,000 of which was satisfied by the issue and allotment of shares and the balance as cash). This award was to compensate him for the loss of a cash entitlement under the 2013 Carphone Warehouse scheme. This payment is subject to clawback provisions, should he resign before July 2021.
5. Graham Stapleton's bonus for FY18 was prorated from the date of joining on 15 January 2018 to 30 March 2018. One third of this bonus was deferred into shares under the Deferred Bonus Plan. These shares will vest in May 2021. The cash portion was paid on 31 May 2018.
6. Jonny Mason was interim Chief Executive Officer from September 2017 until Graham Stapleton joined in January 2018. Jonny's salary increased from £364,140 to £500,000 p.a. to which bonus and pension were applied for that period.
7. Jonny Mason announced his resignation as Chief Financial Officer on 27 March 2018, and was therefore only eligible to receive the cash element (two thirds) of his FY18 annual bonus for the year ended 30 March 2018.
8. Jonny Mason was granted a PSP award in 2015. The performance conditions attached to this award were not met and therefore this award lapsed.
9. Jill McDonald left the business in September 2017. She was not entitled to receive a bonus for FY18.

	FY15	FY16	FY17	FY18	FY19
PSP Vestings (% of maximum)	15%	102.5%	0%	0%	**0%**

FY19 Annual Bonus

The annual bonuses for FY19 for the Executive Directors were based as follows:

Chief Executive Officer	Graham Stapleton	80% PBT and 20% delivery of key strategic initiatives
Chief Financial Officer	Loraine Woodhouse	80% PBT and 20% delivery of key strategic initiatives

The PBT targets and performance against these is set out below:

	Threshold (15% payable)	Target (50% payable)	Maximum (100% payable)	PBT performance for FY19	% of maximum bonus achieved
PBT performance	£69m	£73m	£80m	£58.8m	0%

The tables below set out the key strategic initiatives which made up the remainder of the annual bonuses for the Chief Executive Officer and the Chief Financial Officer, along with performance and resulting outturn against each measure.

KPI	Definition	FY19 outturn	Threshold	Maximum	% achieved (out of 5%)
NPS	Combined NPS of Retail and Autocentres (weighted)	–[1]	70%	73%	0%
Engagement Index	Index achieved for Group in April 2019	79%	81%	83%	0%
Service-related Sales Growth	Growth in total service-related sales including product (Retail)	106.1m	115.7m	120m	0%
Digital Sales Growth	Total digital sales orders through website or app.	229.1m	228.9m	243.7m	16.1%

1. The NPS score for Retail was 62.9% and the NPS score for Autocentres was 65.5%.

Group PBT targets were not met. Any payment under the strategic element of the bonus is subject to the threshold PBT target being met. Given that threshold PBT target was not met Executive Directors will not receive a bonus in respect of FY19.

Chief Executive Officer for FY18

For FY18, 50% of the CEO's bonus was based on personal performance objectives. Following the publication of our FY18 Annual Report we published additional information regarding performance against these objectives on our website. This information is also replicated here for transparency.

Disclosure of the PBT target range under the FY18 Annual Bonus

	Threshold	Target	Maximum	PBT Outcome	Outcome as a % maximum
2017/18 PBT	£66.1m	£73.5m	£80.8m	£71.6m	40.1%

Disclosure of FY18 Annual Bonus Non-Financial targets for Chief Executive Officer ("CEO")

50% of the CEO bonus was based on performance against non-financial objectives. The Committee determined this element of the bonus at the year-end based on a consideration of the CEO's progress against tangible objectives set for him at the time of his appointment. Some of the achievements which were taken into account during this assessment and given the CEO's limited time in role are considered broadly reasonable and are as follows:

- Develop and formalise a new strategic review process;
- Finalise the new financial budget to be in place by year-end; and
- Review and put forward to the Board proposals for strengthening the Executive Team.

Annual Remuneration Report

Benefits

Benefits include payments made in relation to life assurance, private health insurance and the provision of a fully expensed company car or equivalent cash allowance or chauffeur and fuel card.

Pension

Pension payments represent contributions made either to defined contribution pension schemes or as a cash allowance. The CEO and CFO both received a contribution of 15% of base salary.

Buy-out Arrangements for Loraine Woodhouse

In April 2019, Loraine was made a payment of £7,909 to reflect the pro-rated bonus she forfeited on leaving her previous employer, Waitrose. This amount was of equivalent value to the payment she would have received in her previous role taking into account performance achieved. This amount was paid at a similar time to the forfeited payment.

Leaving Arrangements for Jonny Mason

Jonny Mason resigned from his role as Chief Financial Officer ("CFO") to take up a position of Group Finance Director at Dixons Carphone plc. Jonny left the business on 31 July 2018. Jonny received the cash portion of his bonus for FY18 as he remained in employment on the payment date. All annual bonus deferred share awards and awards under the PSP were forfeited upon him leaving. Jonny's awards under the SAYE scheme also lapsed. He did not receive any payment in relation to loss of office.

Share Awards Granted During the Year (Audited)

Performance Share Plan

During the period the following awards were granted to the Executive Directors under the Performance Share Plan ("PSP") as follows:

	Date of award	Type of award	Number of shares[1]	Maximum face value of award[2]	Threshold vesting (% of target award)	Performance period
Graham Stapleton	5 October 2018	Nil cost option (0p exercise price)	334,688	£1,069,998	25%	31 March 2018 to 2 April 2021
Loraine Woodhouse[3]	9 November 2018	Nil cost option (0p exercise price)	227,346	£699,998	25%	31 March 2018 to 2 April 2021

1. These awards were based on 200% of salary.
2. Based on the average mid-market price on three preceding days of the awards of £3.197 on 5 October 2018 for Graham Stapleton's award and £3.079 on 9 November 2018 for Loraine Woodhouse's award.
3. Loraine Woodhouse was appointed on 1 November 2018 and became eligible to receive a PSP award following her appointment, as set out in the announcement made by the Company on 13 July 2018.

Performance Conditions

In light of the ongoing review and development of our strategy, the PSP award for 2018 was delayed until October to ensure that the performance measures and targets fully aligned with our ongoing strategy. At the September Capital Markets Day, Graham set out the Group's ambition to deliver improved free cash flow through a combination of: (i) improved operating cash flows as a result of our customer strategy; (ii) a disciplined approach to capital expenditure; and (iii) improvements in working capital through a focus on stock and creditors. Given this strategic focus, it was announced at the Capital Markets Day that the Committee determined that it was important that Free Cash Flow was included as a performance measure for the 2018 PSP in respect of 25% of the award to support management in achieving these objectives.

The performance conditions and targets for PSP awards granted during FY19 are as follows:

		Group Revenue Growth – CAGR (25% of the award)	Underlying EPS Growth – CAGR (50% of the award)	Free Cash Flow (aggregate FY19 to FY21) (25% of the award)
Award (200% of salary)	100% vesting	8.0%	6.0%	£165m
	Straight-line vesting	Between 3.5% and 8.0%	Between 1.5% and 6.0%	Between £125m and £165m
	25% vesting	3.5%	1.5%	£125m
	0% vesting	Below 3.5%	Below 1.5%	Below £125m

In addition to achieving these targets, the vesting of awards will be subject to meeting an underpin of net debt to EBITDA ratio no greater than 1.5× throughout the three-year performance period. This will ensure that net debt remains at appropriate levels and management is not incentivised to increase net debt levels to meet targets; the focus is to maximise the return on cash investments. The Award shares that vest will become exercisable in August 2021. The shares that vest will be subject to a two-year holding period.

Deferred Bonus Plan

Awards granted during the year:

	Award date	Mid-market price on date of award	Awarded during the period	Max value of award	Vesting
Graham Stapleton	31 May 2018	£3.376	11,433	£38,598	30 May 2021–31 May 2022

On 31 May 2018, one-third of Graham Stapleton's FY18 bonus was deferred into shares for a period of three years. These were awarded in the form of nil cost options. Vesting is subject to continued employment only.

Outstanding Share Awards (Audited)

Performance Share Plan ("PSP")

The following summarises outstanding awards under the PSP:

	Award date	Grant price[2] (£)	Awards held 30 March 2018	Awarded during the period	Dividend reinvestment[3]	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 29 March 2019	Performance period years to	Holding period to
Graham Stapleton	24 January 2018[1]	3.5173	304,207	–	19,408	–	–	–	**323,615**	3 April 2020	50% to 3 April 2021, 50% to 3 April 2022
	5 October 2018	3.1970	–	334,688	8,589	–	–	–	**343,277**	2 April 2021	2 April 2023
Loraine Woodhouse[4]	9 November 2018	3.079	–	227,346	5,834	–	–	–	**233,180**	2 April 2021	2 April 2023
Jonny Mason[5]	12 November 2015	4.2987	140,586	–	–	–	140,586[6]	–	**–**	–	
	11 August 2016	3.565	167,010	–	–	167,010[7]	–	–	**–**	–	
	13 September 2017	3.0977	234,422	–	–	234,422[7]	–	–	**–**	–	

1. FY18 awards are subject 25% to Group Revenue Growth targets (25% vesting for 3.5% p.a. growth, 100% vesting for 7% p.a. growth) and 75% subject to underlying EPS growth (25% vesting for 1.5% p.a. growth, 100% vesting for 6% p.a. growth). In addition, any vesting of the PSP will be subject to an underpin whereby the net debt to EBITDA ratio remains below 1.5 times on average for the three years of the plan.
2. The grant price is calculated by taking the mid-market average across the three preceding days prior to the grant date.
3. Interim and final dividends have been reinvested in shares at prices between £2.408082 and £3.23525.
4. Loraine Woodhouse was appointed on 1 November 2018.
5. Jonny Mason left the business on 31 July 2018, to take up a role as Group Finance Director at Dixons Carphone plc.
6. The 2015 PSP Award did not meet its performance conditions and the award lapsed on 16 May 2018.
7. Jonny Mason's PSP awards granted in 2016 and 2017 were forfeited upon him leaving on 31 July 2018.

Deferred Bonus Plan ("DPB")

	Award date	Grant price[1] (£)	Awards held 30 March 2018	Awarded during the period	Dividend reinvestment[2]	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 29 March 2019	Vesting
Graham Stapleton	31 May 2018	3.3760	–	11,433	729	–	–	–	**12,162**	31 May 2021–31 May 2022
Jonny Mason[3]	30 June 2017	3.420	18,032	–	–	18,032	–	–	**–**	–

1. The grant price is calculated by using the mid-market quotation on the date of grant.
2. Interim and final dividends have been reinvested in shares at prices between £2.408082 and £3.23525.
3. Jonny Mason left the business on 31 July 2018, to take up a role as Group Finance Director at Dixons Carphone plc, and his DBP award was forfeited on this date.

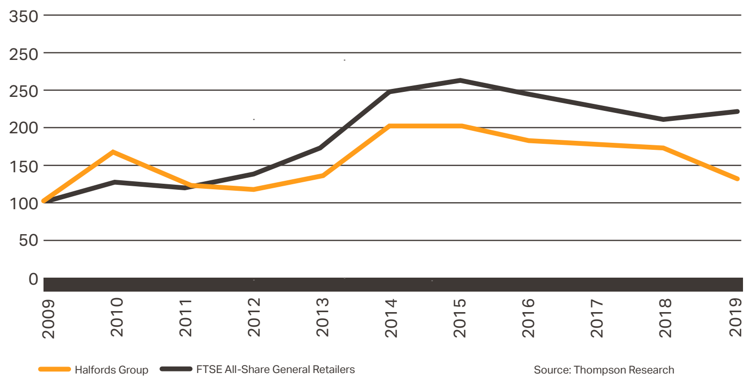
Save As You Earn ("SAYE")

	Award date	Grant price[1] (£)	Awards held 30 March 2018	Awarded during the period	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 29 March 2019	Exercisable date
Jonny Mason[2]	30 December 2015	2.979	6,042	–	6,042	–	–	**–**	–

1. The grant price is calculated by using the mid-market average across the three preceding days prior to the grant date.
2. Jonny Mason left the business on 31 July 2018, to take up a role as Group Finance Director at Dixons Carphone plc, and his SAYE award was forfeited on this date.

CEO Pay Compared to Performance

The following graph shows the TSR performance of the Company since April 2009, against the FTSE All-Share General Retailers Index (which was chosen because it represents a broad equity market index of which the Company is a constituent).



The following table summarises the CEO single figure for the past ten years and outlines the proportion of annual bonus paid as a percentage of the maximum opportunity and the proportion of PSP awards vesting as a percentage of the maximum opportunity. The annual bonus is shown based on the year to which performance related and the PSP is shown for the last year of the performance period.

		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
CEO Single Figure (£000)	Graham Stapleton[1]	–	–	–	–	–	–	–	–	1,818	**642**
	Jonny Mason[2]	–	–	–	–	–	–	–	–	236	**–**
	Jill McDonald[3]	–	–	–	–	–	–	851	741	295	**–**
	Matt Davies[4]	–	–	–	499	1,372	645	54	–	–	**–**
	David Wild[5]	1,134	531	617	198	–	–	–	–	–	**–**
Annual Bonus (% of maximum)	Graham Stapleton[1]	–	–	–	–	–	–	–	–	70%	**–**
	Jonny Mason[2]	–	–	–	–	–	–	–	–	42.3%	**–**
	Jill McDonald[3]	–	–	–	–	–	–	23.5%	–	–	**–**
	Matt Davies[4]	–	–	–	50%	97.5%	–	–	–	–	**–**
	David Wild[5]	80%	–	0%	–	–	–	–	–	–	**–**
PSP Vesting (% of maximum)	Graham Stapleton[1]	–	–	–	–	–	–	–	–	–	**–**
	Jonny Mason[2]	–	–	–	–	–	–	–	–	–	**–**
	Jill McDonald[3]	–	–	–	–	–	–	–	–	–	**–**
	Matt Davies[4]	–	–	–	–	–	–	–	–	–	**–**
	David Wild[5]	–	–	99%	–	–	–	–	–	–	**–**

1. Graham Stapleton was appointed in January 2018.
2. Jonny Mason was appointed as interim Chief Executive Officer for the period from September 2017 to the date of Graham Stapleton joining in January 2018, and the figures represent prorated amounts of his bonus and overall remuneration for FY18.
3. Jill McDonald was appointed in May 2015 and resigned as CEO in September 2017.
4. Matt Davies was appointed in October 2012 and resigned as CEO in April 2015.
5. David Wild resigned as CEO in July 2012.

Shareholding Guidelines

The Committee believes that it is important that Executive Directors' interests are aligned with those of the shareholders. Executive Directors are encouraged to acquire and retain shares with a value equal to 200% of their annual base salary. Executive Directors are expected to retain 75% of any post-tax shares that vest under any share incentive plans until this shareholding guideline is met.

	Graham Stapleton	Loraine Woodhouse
Shareholding guideline	200%	200%
Shareholding as at 29 March 2019	28,748	22,395
Current value (based on share price on 29 March 2019)	£66,695	£51,956
Current % of salary	12.2%	14.8%

These figures include those of their spouse or civil partner and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in these beneficial interests between 29 March 2019 and 21 May 2019.

Outside Appointments

Halfords recognises that its Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit Halfords. Subject to approval by the Board, Executive Directors are allowed to accept non-executive appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest. During the year, none of the Halfords' Executive Directors held any non-executive roles.

Loss of Office Payments (Audited)

No loss of office payment was made to a Director during the year.

Payments to Former Directors (Audited)

No payments were made to former Directors during the year.

How the Remuneration Policy was Implemented in FY19 – Non-Executive Directors

Non-Executive Director single figure comparison (audited)

Director	Role	Board fees (£)	Senior Independent Director fee (£)	Committee Chair fees (£)	Total "Single Figure" 2019 (£)	Total "Single Figure" 2018 (£)
Keith Williams[1]	Chairman	192,400	–	–	**132,404**	–
David Adams	Senior Independent Director and Audit Committee Chair	52,000	10,000	10,000	**72,000**[2]	70,000
Jill Caseberry[3]	Remuneration Committee Chair	52,000	–	10,000	**5,086**[2]	–
Helen Jones[4]	CSR Committee Chair	52,000	–	5,000	**57,000**[2]	55,000
Dennis Millard[5]	Chairman	192,400	–	–	**64,758**[2]	185,000
Claudia Arney[6]	Remuneration Committee Chair	52,000	–	10,000	**56,914**[2]	60,000

1. Keith Williams was appointed on 24 July 2018. His fee for the role of Chairman is £192,400.
2. Due to a payroll error, a portion of fees which related to FY19 were actually paid in FY20. This amount is: £2,000 for David Adams; £164 for Jill Caseberry; £2,000 for Helen Jones; £2,427 for Dennis Millard and £1,836 for Claudia Arney.
3. Jill Caseberry was appointed on 1 March 2019.
4. To ensure compliance with the 2018 Corporate Governance Code, in March 2019 the Company appointed Helen Jones as the Workplace Voice Representative and the fee for this additional role was set at £5,000.
5. Dennis stepped down as Chairman on 24 July 2018.
6. Claudia Arney stepped down as a Non-Executive Director on 1 March 2019.

Annual Remuneration Report

Non-Executive Director Shareholding

Director	2019	2018
Keith Williams	**80,000**	n/a
David Adams	**8,157**	7,675
Jill Caseberry	**–**	n/a
Helen Jones	**3,000**	3,000
Dennis Millard (stepped down 24 July 2018)[1]	**70,000**	70,000
Claudia Arney (stepped down 1 March 2019)[1]	**21,052**	21,052

1. The number of shares is based on their date of departure from the Board as noted.

These figures include those of their spouses, civil partners and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in these beneficial interests between 19 March 2019 and 21 May 2019.

Non-Executive Directors do not have a shareholding guideline but they are encouraged to buy shares in the Company.

How the Remuneration Policy will be Implemented for FY20 – Executive Directors

Salary

The CEO's salary was reviewed and increased by 2% with effect from 1 October 2018. This increase was in line with the wider workforce. The CFO's salary was set on her appointment on 1 November 2018. Current salaries for the Executive Directors are as follows:

Chief Executive Officer	£545,700
Chief Financial Officer	£350,000

Salaries will next be reviewed with effect from 1 October 2019.

Annual Bonus

The annual bonus opportunity for 2019/20 will be as follows:

Chief Executive Officer and Chief Financial Officer	Maximum opportunity of 150% of base salary 2/3 paid in cash 1/3 paid in Halfords shares deferred for three years

The annual bonus will continue to be based 80% on Profit Before Tax ("PBT") performance and 20% based on performance against strategic objectives. PBT targets range from 95% of budget, where payment is 15% to 110% of budget for maximum payment. 50% of maximum bonus can be achieved for on-target performance. The Committee reviews the goals included in the strategic objectives portion of the bonus to ensure that they remain appropriate. For 2019/20 the strategic measures for the annual bonus will be based on NPS, employee engagement, Group services-related revenue and operational cash flow. Given broadening of the strategic focus set out at the Capital Markets Day and the importance of the focus on cash flow, the Committee considered that these metrics are appropriate. Targets have not been disclosed at the current time as they are considered to be commercially sensitive. The Committee intends to disclose targets in next year's Directors' Remuneration Report.

In determining whether any bonuses are payable, the Committee retains the discretionary authority to increase or decrease the bonus to ensure that the level of bonus paid is appropriate in the context of performance. Bonus targets are released retrospectively as they are considered by the Board to be commercially sensitive as they could reveal information about Halfords' business plan and budgeting process to competitors which could be damaging to Halfords' business interests and therefore to shareholders.

Performance Share Plan ("PSP")

Executive Directors will be granted a PSP of 200% of base salary in respect of FY20. Awards are subject 50% to Underlying EPS growth, 25% to Group Revenue Growth and 25% aggregate Free Cash Flow. The Committee has set targets which are considered to be appropriately stretching in the context of the business' evolving strategy and business circumstances. The vesting of FY20 PSP awards are subject to the following targets:

		Group Revenue Growth CAGR (25% of the award)	Underlying EPS Growth CAGR (50% of the award)	Free Cash Flow (aggregate FY20 to FY22) (25% of the award)
Award (200% of salary)	100% vesting	6%	10%	£165m
	Straight-line vesting	Between 3.5% and 6%	Between 5% and 10%	Between £125m and £165m
	25% vesting	3.5%	5%	£125m
	0% vesting	Below 3.5%	Below 5%	Below £125m

In addition to achieving these targets, the vesting of awards will be subject to meeting an underpin of net debt to EBITDA ratio no greater than 1.5× throughout the three-year performance period.

The Committee carefully considered whether it would be appropriate to reduce the level of PSP awards for FY20 in light of the share price which has fallen by around 25% since the FY19 awards were granted. However, given the increase in the stretch of the targets for FY20 awards and the fact that management are relatively new in role, the Committee considered that it was appropriate to maintain the current award level to ensure that management are fully incentivised to drive performance and deliver value for shareholders over the next three years.

How the Remuneration Policy will be Implemented for FY20 – Non-Executive Directors

Fees

The fees of Non-Executive Directors are normally reviewed every two years. Any changes to these fees will be approved by the Board as a whole following a recommendation from the Chief Executive Officer.

To ensure compliance with the 2018 Corporate Governance Code, in March 2019 the Company appointed Helen Jones as the Workplace Voice Representative and the fee for this additional role has been set at £5,000.

The fees of the Non-Executive Directors were reviewed in March 2018 and increased by 4% with effect from 1 April 2018. The next fee review is due in March 2020.

Current fees for Non-Executive Directors are as follows:

	FY20	FY19
Chairman	**£192,400**	£192,400
Base fee	**£52,000**	£52,000
Additional fees		
Senior Independent Director	**£10,000**	£10,000
Committee Chair (Audit and Remuneration)	**£10,000**	£10,000
Employee Voice Representative	**£5,000**	–
Committee Chair (CSR)	**£5,000**	£5,000

Annual Remuneration Report

Change in Remuneration of Chief Executive Officer Compared to Group Employees

The table below sets out the increase in total remuneration of the Chief Executive Officer and that of all colleagues.

	% change in base salary FY18 to FY19	% change in bonus paid FY18 to FY19	% change in benefits FY18 to FY19
Chief Executive Officer	2%	– [3]	No change
All colleagues	3.83%[1]	73%[2]	No change

1. The budget across the business was 3% with additional increases for the National Living Wage.
2. Based on all colleagues who were paid a bonus during FY18 and FY19, in relation to FY17 and FY18 respectively.
3. The CEO did not receive a bonus in FY18 (in respect of FY17) as this was prior to his appointment. He received a bonus of 70% of maximum in FY19 (in respect of FY18).

In line with the regulations we will be disclosing the CEO pay ratio in the FY20 Annual Report.

Gender Pay Gap Report

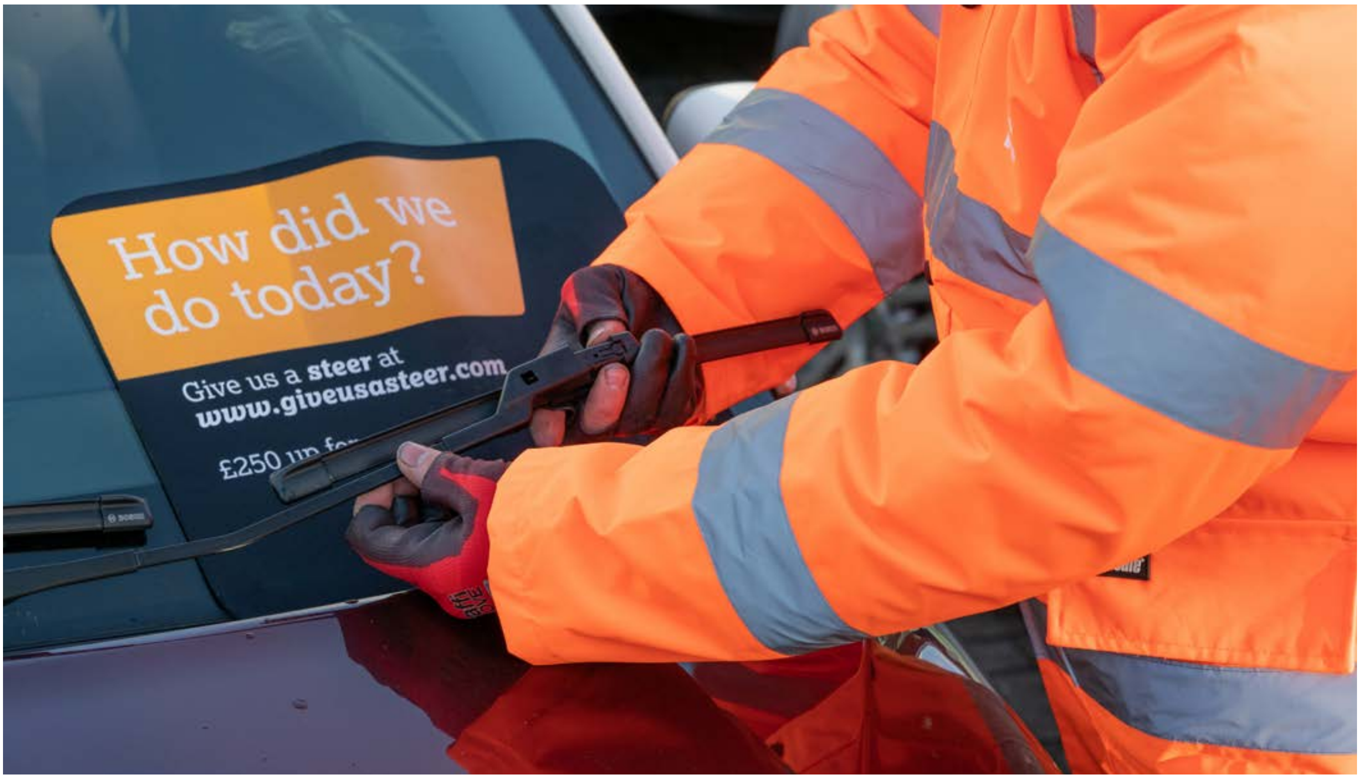
Details of the Group's Gender Pay Gap Report for 5 April 2018 are available at **www.halfordscompany.com/corporate-responsibility/colleagues/gender-pay-gap/**.

Relative Importance of Pay

The Committee is also aware of shareholders' views on remuneration and its relationship to other cash disbursements. The following table shows the relationship between the Company's financial performance, payments made to shareholders, payments made to tax authorities and expenditure on payroll.

	2019	2018
EBITDA (underlying)	**£98.2m**	£109.5m
PBT (underlying)	**£58.8m**	£71.6m
Payments to employees:		
Wages and salaries	**£217.8m**	£210.5m
Executive Directors[1]	**£1.0m**	£2.8m
Dividend paid to Shareholders and share buybacks	**£35.9m**	£34.8m

1. Based on the single figure calculation, not all of which is included within wages and salary costs.



Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards. 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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions, disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's Group website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and Accounts include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by order of the Board.

Keith Williams
Chairman
21 May 2019

3 Enable a *lifetime* of motoring and cycling

Read more on our Strategy on pages 24 to 27

Independent Auditor's Report to the Members of Halfords Group plc only

1. Our opinion is unmodified

We have audited the financial statements of Halfords Group plc for 52 weeks ended 29 March 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Balance Sheet, Consolidated Statement of Cash Flows, Consolidated and Company Statements of Changes in Shareholders' Equity, and the related notes, including the accounting policies on pages 120 to 164.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 March 2019 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the shareholders on 29 July 2009. The period of total uninterrupted engagement is for the 10 financial years ended 29 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole		£2.7m (2018: £3.2m) 4.7% (2018: 4.7%) of normalised profit before tax
Coverage		100% (2018: 100%) of group profit before tax
Risks of material misstatement		**vs 2018**
Recurring risks	Carrying amount of Autocentres Goodwill	←→
	Provision for Retail division inventory	←→
Event driven	**New:** Brexit (The impact of uncertainties due to the UK exiting the European Union on our audit)	
	New: Going concern	
Parent company	Recoverability of parent company's debtor balance	←→

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarize below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 52 (Our Principal Risks and Uncertainties), page 10 (Chief Executive's Statement) and page 48 (Chief Financial Officer's Report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the key audit matters relating to the carrying value of Autocentres car servicing goodwill, provision for retail division inventory, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	**Our procedures included:** We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks; **Sensitivity analysis:** When addressing carrying value of Autocentres car servicing goodwill, carrying value of retail division inventory, going concern and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; and **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on the carrying value of Autocentres car servicing goodwill and the provision for retail division inventory and going concern, we considered all of the Brexit related disclosures together, including those in the Strategic report, comparing the overall picture against our understanding of the risks. **Our result** As reported under the carrying value of Autocentres car servicing goodwill, the provision for retail division inventory, and going concern, we found the resulting estimates and related disclosures and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Independent Auditor's Report to the Members of Halfords Group plc only

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Carrying amount of Autocentres Car Servicing Goodwill *(£69.7 million; FY18: £69.7 million)* *Refer to page 91 (Audit Committee Report), page 126 (accounting policy) and page 143 (financial disclosures).*	**Forecast-based estimate** Following the acquisition of Nationwide Autocentres in 2010, the Group holds significant goodwill in the Autocentres division. The business operates in a competitive market, and commercial factors, changes to market share, changes to government regulation or changes to the frequency with which customers replace their car may lead to a risk that the business does not meet the growth projections. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting these cash flows and therefore, this is considered to be one of the key judgemental areas that our audit is concentrated on.	**Our procedures included:** **Benchmarking assumptions:** Comparing the Group's assumptions, in particular those relating to forecasts, long term growth rates and discount rates, to externally derived data and budgeted growth rate to industry forecasts. Assessing the historical forecasting accuracy of the business's cash flows; **Historical comparisons:** Assessing the Group's performance against budget in the current and prior periods to evaluate the historical accuracy of the Group's forecasts; **Sensitivity analysis:** Performing sensitivity analysis on the assumptions, including budgeted growth rates, discount rate and terminal growth rate to identify areas to focus our procedures on; **Comparing valuations:** Comparing the sum of the discounted cash flows for all the Group's CGUs to the Group's market capitalisation to assess the reasonableness of those cash flows; and **Assessing transparency:** Assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. **Our result** We have found the carrying amount of Autocentres car servicing goodwill to be acceptable (2018: acceptable)
Provision for Retail division inventory *(£19.6 million; FY18: £20.4 million)* *Refer to page 92 (Audit Committee Report), page 130 (accounting policy) and page 146 (financial disclosures).*	**Subjective estimate:** Inventories are carried at the lower of cost and net realisable value. The estimated net realisable value of inventory and associated provisions are subjective due to the inherent uncertainty in predicting consumer demand. The obsolete stock provision is based on a model which includes consideration of each inventory line, recent sales of those lines and the product's position in its lifecycle. The Group further overlays specific provisions to account for other matters not captured in the model, such as known stock losses and faulty goods. There is a risk that the Group's assessment of the level of these provisions is insufficient or inaccurate.	**Our procedures included:** **Assessing methodology:** Assessing the adequacy of the Group's inventory provision methodology based on our knowledge of the industry and factors specific to the Group. **Assessing assumptions:** Assessing and challenging the Directors' assumptions behind the changes to the provision calculation against our own knowledge of the industry and factors specific to the Group; **Tests of detail:** Testing the key inputs to the provisioning model, including challenge of lifecycle status of individual items and inventory costing; **Historical comparisons:** Assessing the accuracy of inventory provisioning by checking the historical accuracy of the level of inventory provisions in prior periods; and **Assessing transparency:** Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision. **Our result** We consider the provision for retail division inventory to be acceptable (2018: acceptable).

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Going Concern *Refer to page 126 (accounting policy) for group and page 161 (accounting policy) for the parent company.*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the group and parent company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were the impact of Brexit on the Group's and Company's cost relating to foreign exchange and the impact of consumer confidence on profitability. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	**Our procedures included:** **Test of details:** Evaluated whether the cash flow forecast assumptions are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit; **Historical comparisons:** Assessing the Group's performance against budget in the current and prior periods to evaluate the historical accuracy of the Group's forecasts; **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; **Assessing transparency:** Assessing the reasonableness of the going concern disclosures. **Our result** We found the going concern disclosure without any material uncertainty to be acceptable (2018: acceptable).
Recoverability of parent's debt due from group entities *(£494.4million; FY18: £485.8 million)* *Refer to page 163 (financial disclosures).*	**Low risk, high value** The carrying amount of the group undertakings represents 95% of the parent company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	**Our procedures included:** **Tests of detail:** Assessing 100% of group debtors balance to identify, with reference to the relevant debtors net assets, both individually and collectively with their own subsidiaries where relevant, if they have a positive net asset value and therefore coverage of the debt owed. We considered the results of our audit work over those net assets. **Our results** We found the parent company's assessment of the recoverability of the group debtor balance to be acceptable (2018: acceptable).

Independent Auditor’s Report to the Members of Halfords Group plc only

3. Our application of materiality and an overview of the scope of our audit
Materiality for the group financial statements as a whole was set at £2.7 million (FY18: £3.2 million), determined with reference to a benchmark of Group profit before tax normalised to exclude one off strategy review expenses (see note 5), of £2.4 million and asset write-off costs relating to the re-platform of the Retail and Autocentres websites (see note 5), of £5.3 million, of which it represents 4.7% (FY18: with reference to a benchmark of Group profit before tax normalised to exclude one off Directors’ remuneration, of which it represented 4.7%).

Materiality for the parent company financial statements as a whole was set at £2.4 million (FY18: £ 2.8 million), determined with reference to a benchmark of total assets, of which it represents 0.6% (FY18: 0.6%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.135 million (FY18: £0.16 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s 4 (FY18: 4) components, we subjected 4 (FY18: 4) to full scope audits for group purposes. All components are located in the UK.

The components within the scope of our work accounted for the percentages illustrated opposite.

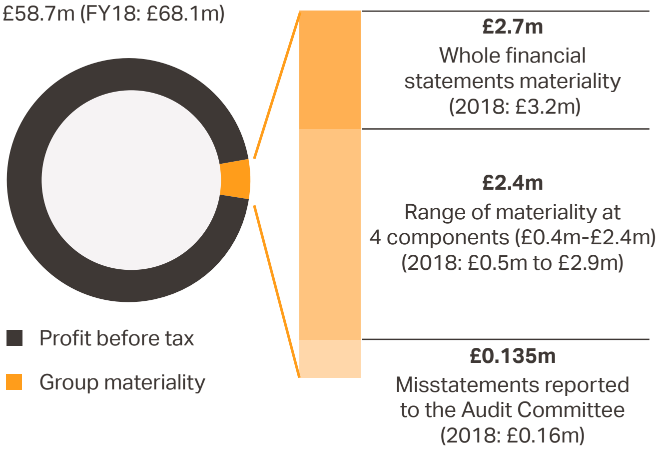
The Group team approved the component materialities, which ranged from £0.4 million to £2.4 million (FY18: £0.5 million to £2.9 million), having regard to the mix of size and risk profile of the Group across the components. The work, including the audit of the parent Company, was performed by the Group team. The Group team also performed procedures on the items excluded from normalised Group profit before tax.

4. We have nothing to report on going concern
The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company’s and the Group’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (the “going concern period”).

Our responsibility is to conclude on the appropriateness of the Directors’ conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Group and the Company will continue in operation.

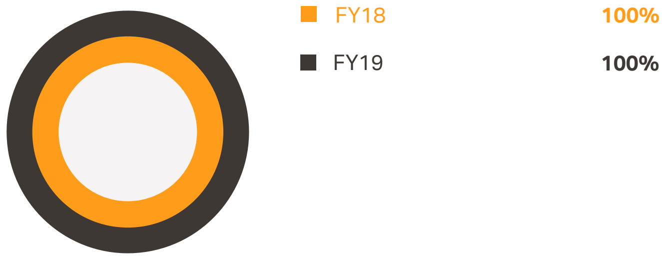
Normalised profit before tax*
£58.7m (FY18: £68.1m)

Group Materiality
£2.7m (2018: £3.2m)

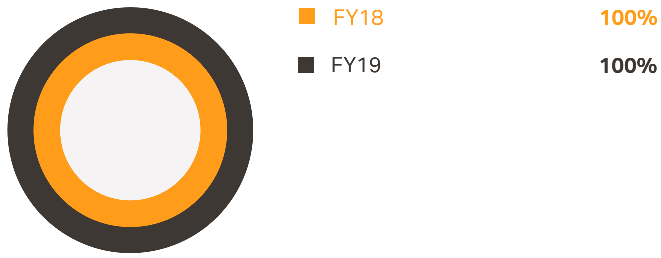


* FY19 profit before tax was normalised to exclude one-off strategy review expenses (see note 5), of £2.4 million and asset write-off costs relating to the re-platform of the Retail and Autocentres websites (see note 5), of £5.3 million.

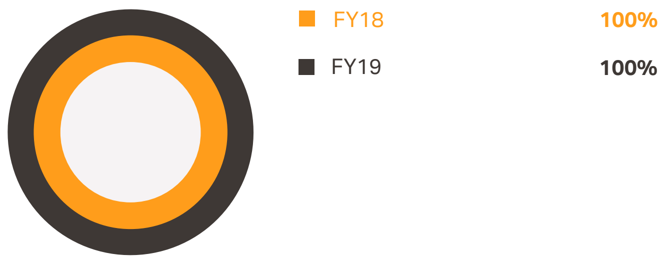
Group revenue



Group profit before tax



Group total assets



Full scope for Group audit purposes FY18

Full scope for Group audit purposes FY19

We identified going concern as a key audit matter (see section 2 of this report). Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement on page 109 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under Listing Rules set out on page 109 is materially inconsistent with our audit knowledge

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of Principal Risks and longer term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 68 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Halfords Group plc only

6. We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

We have nothing to report in these respects.

7. Respective responsibilities
Directors' responsibilities
As explained more fully in their statement set out on page 109, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the Directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, GDPR, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Michael Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
21 May 2019

Consolidated Income Statement

For the period	Notes	52 weeks to 29 March 2019 Before non-underlying items £m	Non-underlying items (Note 5) £m	Total £m	52 weeks to 30 March 2018 Before non-underlying items £m	Non-underlying items (Note 5) £m	Total £m
Revenue		**1,138.6**	**–**	**1,138.6**	1,135.1	–	1,135.1
Cost of sales		**(559.6)**	**–**	**(559.6)**	(564.9)	–	(564.9)
Gross profit		**579.0**	**–**	**579.0**	570.2	–	570.2
Operating expenses	2	**(516.8)**	**(7.8)**	**(524.6)**	(495.6)	(4.8)	(500.4)
Results from operating activities	3	**62.2**	**(7.8)**	**54.4**	74.6	(4.8)	69.8
Finance costs	6	**(3.4)**	**–**	**(3.4)**	(3.1)	0.3	(2.8)
Finance income	6	**–**	**–**	**–**	0.1	–	0.1
Net finance expense		**(3.4)**	**–**	**(3.4)**	(3.0)	0.3	(2.7)
Profit before income tax		**58.8**	**(7.8)**	**51.0**	71.6	(4.5)	67.1
Income tax expense	7	**(10.5)**	**1.4**	**(9.1)**	(13.2)	0.8	(12.4)
Profit for the financial period attributable to equity shareholders		**48.3**	**(6.4)**	**41.9**	58.4	(3.7)	54.7
Earnings per share							
Basic	9	**24.5p**		**21.2p**	29.6p		27.8p
Diluted	9	**24.2p**		**21.0p**	29.4p		27.5p

All results relate to continuing operations of the Group.

The notes on pages 137 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Notes	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Profit for the period		**41.9**	54.7
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**7.4**	(11.0)
Transfers to net profit:			
Cost of sales		**–**	1.3
Change in fair value of investment		**(8.1)**	–
Income tax on other comprehensive income	7	**–**	0.2
Other comprehensive income for the period, net of income tax		**(0.7)**	(9.5)
Total comprehensive income for the period attributable to equity shareholders		**41.2**	45.2

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

The notes on pages 137 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	29 March 2019 £m	30 March 2018 £m
Assets			
Non-current assets			
Intangible assets	10	**387.4**	393.9
Property, plant and equipment	11	**97.3**	101.3
Investments	12	**–**	8.1
Total non-current assets		**484.7**	503.3
Current assets			
Inventories	13	**185.4**	195.5
Trade and other receivables	14	**59.1**	56.0
Derivative financial instruments	20	**3.2**	0.3
Cash and cash equivalents	15	**9.8**	27.0
Total current assets		**257.5**	278.8
Total assets		**742.2**	782.1
Liabilities			
Current liabilities			
Borrowings	16	**(18.5)**	(20.8)
Derivative financial instruments	20	**(1.4)**	(5.4)
Trade and other payables	17	**(176.4)**	(187.0)
Current tax liabilities		**(3.3)**	(3.3)
Provisions	18	**(15.1)**	(11.9)
Total current liabilities		**(214.7)**	(228.4)
Net current assets		**42.8**	50.4
Non-current liabilities			
Borrowings	16	**(73.1)**	(94.0)
Trade and other payables	17	**(28.1)**	(31.2)
Deferred tax liability	19	**(0.1)**	(2.7)
Provisions	18	**(5.2)**	(3.9)
Total non-current liabilities		**(106.5)**	(131.8)
Total liabilities		**(321.2)**	(360.2)
Net assets		**421.0**	421.9
Shareholders' equity			
Share capital	21	**2.0**	2.0
Share premium	21	**151.0**	151.0
Investment in own shares	21	**(10.0)**	(9.4)
Other reserves	21	**1.9**	(2.9)
Retained earnings		**276.1**	281.2
Total equity attributable to equity holders of the Company		**421.0**	421.9

The notes on pages 137 to 158 are an integral part of these consolidated financial statements.

The financial statements on pages 120 to 158 were approved by the Board of Directors on 21 May 2019 and were signed on its behalf by:

Loraine Woodhouse
Chief Financial Officer

Company Number: 04457314

Consolidated Statement of Changes in Shareholders' Equity

				Attributable to the equity holders of the Company			
				Other reserves			
	Share capital £m	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2017	2.0	151.0	(9.5)	0.3	0.3	263.4	**407.5**
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	54.7	**54.7**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	–	–	–	–	(11.0)	–	**(11.0)**
Transfers to net profit:							
Cost of sales	–	–	–	–	1.3	–	**1.3**
Transfer between reserves	–	–	–	–	1.7	(1.7)	**–**
Income tax on other comprehensive income	–	–	–	–	0.2	–	**0.2**
Total other comprehensive income for the period net of tax	–	–	–	–	(7.8)	(1.7)	**(9.5)**
Total comprehensive income for the period	–	–	–	–	(7.8)	53.0	**45.2**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	–	–	–	–	4.3	–	**4.3**
Transactions with owners							
Share options exercised	–	–	0.1	–	–	–	**0.1**
Share-based payment transactions	–	–	–	–	–	(0.4)	**(0.4)**
Income tax on share-based payment transactions	–	–	–	–	–	–	**–**
Dividends to equity holders	–	–	–	–	–	(34.8)	**(34.8)**
Total transactions with owners	–	–	0.1	–	–	(35.2)	**(35.1)**
Balance at 30 March 2018	2.0	151.0	(9.4)	0.3	(3.2)	281.2	**421.9**
Impact of adoption of IFRS 15	–	–	–	–	–	(3.3)	**(3.3)**
Adjusted balance at 30 March 2018	2.0	151.0	(9.4)	0.3	(3.2)	277.9	**418.6**
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	41.9	**41.9**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	–	–	–	–	7.4	–	**7.4**
Change in fair value of investment	–	–	–	–	–	(8.1)	**(8.1)**
Income tax on other comprehensive income	–	–	–	–	–	–	**–**
Total other comprehensive income for the period net of tax	–	–	–	–	7.4	(8.1)	**(0.7)**
Total comprehensive income for the period	–	–	–	–	7.4	33.8	**41.2**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	–	–	–	–	(2.6)	–	**(2.6)**
Transactions with owners							
Own shares acquired	–	–	(1.0)	–	–	–	**(1.0)**
Share options exercised	–	–	0.4	–	–	–	**0.4**
Share-based payment transactions	–	–	–	–	–	0.3	**0.3**
Income tax on share-based payment transactions	–	–	–	–	–	–	**–**
Dividends to equity holders	–	–	–	–	–	(35.9)	**(35.9)**
Total transactions with owners	–	–	(0.6)	–	–	(35.6)	**(36.2)**
Balance at 29 March 2019	**2.0**	**151.0**	**(10.0)**	**0.3**	**1.6**	**276.1**	**421.0**

The notes on pages 137 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	52 weeks to 29 March 2019 £m	52 weeks to 30 March 2018 £m
Cash flows from operating activities			
Profit after tax for the period, before non-underlying items		**48.3**	58.4
Non-underlying items		**(6.4)**	(3.7)
Profit after tax for the period		**41.9**	54.7
Depreciation and impairment – property, plant and equipment	11	**23.0**	24.0
Amortisation – intangible assets	10	**13.0**	10.9
Net finance costs	6	**3.4**	2.7
Loss on disposal of property, plant and equipment and intangibles	3	**5.5**	4.1
Equity-settled share-based payment transactions		**0.3**	0.4
Exchange movement		**(0.3)**	1.9
Income tax expense		**9.1**	12.4
Decrease/(increase) in inventories		**11.9**	(4.4)
(Increase)/decrease in trade and other receivables		**(3.1)**	2.4
(Decrease) in trade and other payables		**(19.2)**	(10.6)
Increase/(decrease) in provisions		**2.7**	(1.4)
Finance income received		**–**	0.1
Finance costs paid		**(3.1)**	(2.0)
Income tax paid		**(12.7)**	(16.1)
Net cash from operating activities		**72.4**	79.1
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**–**	(5.1)
Purchase of investment		**(0.5)**	(3.5)
Purchase of intangible assets		**(11.0)**	(18.0)
Purchase of property, plant and equipment		**(18.4)**	(19.0)
Net cash used in investing activities		**(29.9)**	(45.6)
Cash flows from financing activities			
Net proceeds from share options and purchase of own shares		**(0.6)**	0.1
Proceeds from loans, net of transaction costs		**1,138.7**	415.2
Repayment of borrowings		**(1,159.0)**	(404.0)
Payment of finance lease liabilities		**(0.6)**	(0.6)
Dividends paid	8	**(35.9)**	(34.8)
Net cash used in financing activities		**(57.4)**	(24.1)
Net (decrease)/increase in cash and bank overdrafts	I.	**(14.9)**	9.4
Cash and cash equivalents at the beginning of the period		**7.5**	(1.9)
Cash and cash equivalents at the end of the period	I.	**(7.4)**	7.5

Cash and cash equivalents at the period end consist of £9.8m (2018: £27.0m) of liquid assets and £17.2m (2018: £19.5m) of bank overdrafts.

The notes on pages 137 to 158 are an integral part of these consolidated financial statements.

Note to Consolidated Statement of Cash Flows

I. Analysis of movements in the Group's net debt in the period

	At 30 March 2018 £m	Cash flow £m	Other non-cash changes £m	**At 29 March 2019 £m**
Cash and cash equivalents at bank and in hand	7.5	(14.9)	–	**(7.4)**
Debt due after one year	(83.7)	20.3	(0.4)	**(63.8)**
Total net debt excluding finance leases	(76.2)	5.4	(0.4)	**(71.2)**
Finance leases due within one year	(1.3)	0.6	(0.6)	**(1.3)**
Finance lease due after one year	(10.3)	–	1.0	**(9.3)**
Total finance leases	(11.6)	0.6	0.4	**(10.6)**
Total net debt	(87.8)	6.0	–	**(81.8)**

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £0.6m (2018: £0.5m) and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £9.8m (2018: £27.0m) of liquid assets and £17.2m (2018: £19.5m) of bank overdrafts.

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.

Notes to the Financial Statements

1. Operating Segments

The Group has two reportable segments, Retail and Car Servicing, which are the Group's strategic business units. Car Servicing became a reporting segment of the Group as a result of the acquisition of Nationwide Autocentres on 17 February 2010. The strategic business units offer different products and services, and are managed separately because they require different operational, technological and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of automotive, leisure and cycling products through retail stores. The operations of the Car Servicing reporting segment comprise car servicing and repair performed from Autocentres.

The Chief Operating Decision Maker is the Executive Directors. Internal management reports for each of the segments are reviewed by the Executive Directors on a monthly basis. Key measures used to evaluate performance are Revenue and Operating Profit. Management believes that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment operating profit, as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies consistent with these Group Financial Statements.

All material operations of the reportable segments are carried out in the UK and all material non-current assets are located in the UK. The Group's revenue is driven by the consolidation of individual small value transactions and, as a result, Group revenue is not reliant on a major customer or group of customers. All revenue is from external customers.

Income statement	**Retail £m**	**Car Servicing £m**	**52 weeks to 29 March 2019 Total £m**
Revenue	**977.2**	**161.4**	**1,138.6**
Segment result before non-underlying items	**58.8**	**5.5**	**64.3**
Non-underlying items	**(8.7)**	**0.9**	**(7.8)**
Segment result	**50.1**	**6.4**	**56.5**
Unallocated expenses[1]			**(2.1)**
Operating profit			**54.4**
Finance income			**–**
Finance costs			**(3.4)**
Profit before tax			**51.0**
Taxation			**(9.1)**
Profit for the year			**41.9**
Products and services transferred at a point in time	**932.2**	**116.6**	**1,048.8**
Products and services transferred over time	**45.0**	**44.8**	**89.8**
Revenue	**977.2**	**161.4**	**1,138.6**

Income statement	Retail £m	Car Servicing £m	52 weeks to 30 March 2018 Total £m
Revenue	977.2	157.9	1,135.1
Segment result before non-underlying items	72.6	4.1	76.7
Non-underlying items	(4.8)	–	(4.8)
Segment result	67.8	4.1	71.9
Unallocated expenses[1]			(2.1)
Operating profit			69.8
Finance income			0.1
Finance costs			(2.8)
Profit before tax			67.1
Taxation			(12.4)
Profit for the year			54.7
Products and services transferred at a point in time	932.4	133.1	1,065.5
Products and services transferred over time	44.8	24.8	69.6
Revenue	977.2	157.9	1,135.1

1. Unallocated expenses have been disclosed to reflect the format of the internal management reports reviewed by the Chief Operating Decision Maker and include an amortisation charge of £2.1m in respect of assets acquired through business combinations (2018: £2.1m).

Notes to the Financial Statements

1. Operating Segments continued

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 29 March 2019 Total £m
Capital expenditure	**26.3**	**4.7**	**31.0**
Depreciation and impairment expense	**18.6**	**4.4**	**23.0**
Amortisation expense	**9.7**	**1.2**	**10.9**

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 30 March 2018 Total £m
Capital expenditure	30.3	7.0	37.3
Depreciation and impairment expense	18.1	5.9	24.0
Amortisation expense	8.3	0.5	8.8

There have been no significant transactions between segments in the 52 weeks ended 29 March 2019 (2018: £nil).

2. Operating Expenses

For the period	52 weeks to 29 March 2019 £m	52 weeks to 30 March 2018 £m
Selling and distribution costs	**424.3**	410.0
	424.3	410.0
Administrative expenses, before non-underlying items	**92.5**	85.6
Non-underlying administrative expenses	**7.8**	4.8
	100.3	90.4
	524.6	500.4

3. Operating Profit

For the period	52 weeks to 29 March 2019 £m	52 weeks to 30 March 2018 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
– plant and machinery	**3.8**	2.8
– property rents	**93.1**	92.1
– rentals receivable under operating leases	**(3.1)**	(3.6)
Landlord surrender premiums	**(1.3)**	(2.1)
Loss on disposal of property, plant and equipment and intangibles	**5.5**	4.1
Amortisation of intangible assets	**13.0**	10.9
Depreciation and impairment of:		
– owned property, plant and equipment	**22.0**	23.0
– assets held under finance leases	**1.0**	1.0
Trade receivables impairment	**0.1**	0.2
Staff costs (see Note 4)	**239.4**	231.4
Cost of inventories consumed in cost of sales	**554.2**	555.9

3. Operating Profit continued

The total fees payable by the Group to KPMG LLP and their associates during the period was £0.4m (2018: £0.2m), in respect of the services detailed below:

For the period	**52 weeks to 29 March 2019 £'000**	52 weeks to 30 March 2018 £'000
Fees payable for the audit of the Company's accounts	**34.0**	30.0
Fees payable to KPMG LLP and their associates in respect of:		
The audit of the Company's subsidiary undertakings, pursuant to legislation	**334.9**	171.0
Audit-related assurance services	**53.0**	15.0
	421.9	216.0

4. Staff Costs

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
The aggregated remuneration of all employees, including Directors, comprised:		
Wages and salaries	**217.8**	210.5
Social security costs	**15.9**	15.0
Equity settled share-based payment transactions (Note 22)	**0.3**	0.4
Contributions to defined contribution plans (Note 24)	**5.4**	5.5
	239.4	231.4

For the period	**Number**	Number
Average number of persons employed by the Group, including Directors, during the period:		
Stores/Autocentres	**9,538**	9,678
Central warehousing	**579**	564
Support Centre	**1,031**	944
	11,148	11,186

Key Management Compensation

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Salaries and short-term benefits	**4.0**	3.9
Compensation for loss of office	**0.6**	0.1
Social security costs	**0.7**	0.6
Pensions	**0.4**	0.3
Share-based payment charge	**0.4**	0.1
	6.1	5.0

Key management compensation includes the emoluments of the Board of Directors (including Non-Executive Directors) and the emoluments of the Halfords Limited and Halfords Autocentres management boards.

Full details of Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 99 to 108 which form part of these financial statements.

5. Non-underlying Items

For the period	52 weeks to 29 March 2019 £m	52 weeks to 30 March 2018 £m
Non-underlying operating expenses:		
Organisational restructure costs (a)	**6.8**	4.3
Group-wide strategic review (b)	**2.4**	–
One-off royalty income (c)	**(1.6)**	–
Acquisition and investment-related fees (d)	**0.2**	0.2
Autocentres operational review (e)	**–**	0.6
Operating lease obligation (f)	**–**	(0.3)
Non-underlying operating expenditure	**7.8**	4.8
Acquisition-related interest charge (g)	**–**	(0.3)
Non-underlying items before tax	**7.8**	4.5
Tax on non-underlying items (h)	**(1.4)**	(0.8)
Non-underlying items after tax	**6.4**	3.7

a. In the current and prior period separate and unrelated organisational restructuring activities were undertaken.

Current period costs comprised:

- Redundancy costs of £1.5m relating to roles which will not be replaced; and
- £5.3m of asset write-offs, principally resulting from the strategic decision to re-platform the Retail and Autocentres websites.

Costs in the prior period comprised:

- Redundancy costs of £0.7m relating to roles which will not be replaced;
- £1.0m provision for compensation to the new CEO on joining for foregoing entitlements from a previous employer, as outlined at the time of announcement of his appointment;
- £1.5m in relation to a restructure of the Boardman business. Boardman has stopped selling directly to customers through the Boardman website. The website will be maintained as a 'brand' website, with customers being directed to purchase bikes predominantly through Cycle Republic; and
- £1.1m in relation to asset write-offs, principally resulting from the strategic decision to close the marketplace offer on Halfords.com.

b. Costs of £2.4m were incurred in the period in relation to the costs of preparing the new Group strategy, which comprised of the following:

- £2.0m of external consultant costs; and
- £0.4m warehouse and distribution costs in order to align our network with the new strategy.

c. A one-off royalty income of £1.6m was received in the current period in relation to the use of a software licence.

d. £0.2m of costs were incurred in the current period in relation to the investment in Tyres On The Drive and costs relating to a potential acquisition which did not progress. In the prior period £0.2m of costs were incurred relating to the investment in Tyres On The Drive.

e. Prior period costs of £0.6m were incurred in relation to the review of the operating model of the Autocentres business.

f. The operating lease obligation in the prior period related to a provision release of £0.3m from amounts originally provided for the Group's guarantor obligations arising from historically held lease guarantees.

g. There was a £0.3m credit in FY18 from the release of the remaining portion of interest charge due on the contingent consideration for Tredz, which was paid in May 2017.

h. The tax credit of £1.4m represents a tax rate of 18.0% applied to non-underlying items. The prior period represents a tax credit at 19.0% applied to non-underlying items.

6. Finance Income and Costs

Recognised in profit or loss for the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Finance costs:		
Bank borrowings	**(1.6)**	(1.3)
Amortisation of issue costs on loans	**(0.4)**	(0.5)
Commitment and guarantee fees	**(0.6)**	(0.5)
Acquisition-related interest charges	**–**	0.3
Interest payable on finance leases	**(0.8)**	(0.8)
Finance costs	**(3.4)**	(2.8)
Finance income:		
Bank and similar interest	**–**	0.1
Finance income	**–**	0.1
Net finance costs	**(3.4)**	(2.7)

7. Taxation

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Current taxation		
UK corporation tax charge for the period	**11.5**	12.5
Adjustment in respect of prior periods	**0.2**	(2.2)
	11.7	10.3
Deferred taxation		
Origination and reversal of temporary differences	**(1.4)**	0.8
Adjustment in respect of prior periods	**(1.2)**	1.3
	(2.6)	2.1
Total tax charge for the period	**9.1**	12.4

The tax charge is reconciled with the standard rate of UK corporation tax as follows:

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Profit before tax	**51.0**	67.1
UK corporation tax at standard rate of 19% (2018: 19%)	**9.7**	12.7
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**0.5**	0.7
Other disallowable expenses	**0.1**	0.3
Adjustment in respect of prior periods	**(1.0)**	(0.9)
Impact of overseas tax rates	**(0.2)**	(0.3)
Impact of change in tax rate on deferred tax balance	**–**	(0.1)
Total tax charge for the period	**9.1**	12.4

The UK corporation tax rate reduced from 20% to 19% (effective 1 April 2017) and will be further reduced to 17% (effective from 1 April 2020) following changes substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 29 March 2019 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

The effective tax rate of 17.8% (2018: 18.5%) is lower than the UK corporation tax rate principally due to the non-deductibility of depreciation charged on capital expenditure, non-deductible amortisation of intangible assets and adjustment in respect of prior periods.

The tax charge for the period was £9.1m (2018: £12.4m), including a £1.4m credit (2018: £0.8m credit) in respect of tax on non-underlying items.

7. Taxation continued

An income tax credit of £nil (2018: £0.2m credit) on other comprehensive income relates to the movement in fair valuing forward currency contracts outstanding at the year end. No other items within other comprehensive income have a tax impact.

The Group engages openly and proactively with tax authorities both in the UK and internationally, where it trades and sources products, and is considered low risk by HM Revenue & Customs ("HMRC"). The Company is fully committed to complying with all of its tax payment and reporting obligations.

In this period, the Group's contribution from both taxes paid and collected exceeded £172m (2018: £168m) with the main taxes including corporation tax of £12.7m (2018: £16.1m), net VAT of £72.2m (2018: £67.2m), employment taxes of £48.2m (2018: £47.3m) and business rates of £39.8m (2018: £37.5m).

8. Dividends

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Equity – ordinary shares		
Final for the 52 weeks to 30 March 2018 – paid 12.03p per share (2018: 11.68p)	**23.7**	23.0
Interim for the 52 weeks to 29 March 2019 – paid 6.18p per share (2018: 6.0p)	**12.2**	11.8
	35.9	34.8

In addition, the Directors are proposing a final dividend in respect of the financial period ended 29 March 2019 of 12.39p per share (2018: 12.03p per share), which will absorb an estimated £24.4m (2018: £23.7m) of shareholders' funds. It will be paid on 30 August 2019 to shareholders who are on the register of members on 26 July 2019.

9. Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by an Employee Benefit Trust (see Note 22) and has been adjusted for the issue/purchase of shares during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 52 weeks to 29 March 2019.

The Group has also chosen to present an alternative earnings per share measure, underlying earnings per share, with profit adjusted for non-underlying items because it better reflects the Group's underlying performance. This measure is defined on page 166.

For the period	**52 weeks to 29 March 2019 Number of shares m**	52 weeks to 30 March 2018 Number of shares m
Weighted average number of shares in issue	**199.1**	199.1
Less: shares held by the Employee Benefit Trust (weighted average)	**(2.0)**	(2.1)
Weighted average number of shares for calculating basic earnings per share	**197.1**	197.0
Weighted average number of dilutive shares	**2.1**	1.6
Total number of shares for calculating diluted earnings per share	**199.2**	198.6

For the period	**52 weeks to 29 March 2019 £m**	52 weeks to 30 March 2018 £m
Basic earnings attributable to equity shareholders	**41.9**	54.7
Non-underlying items (see Note 5):		
Operating expenses	**7.8**	4.8
Finance costs	**–**	(0.3)
Tax on non-underlying items	**(1.4)**	(0.8)
Underlying earnings before non-underlying items	**48.3**	58.4

9. Earnings Per Share continued

Earnings per share is calculated as follows:

For the period	**52 weeks to 29 March 2019**	52 weeks to 30 March 2018
Basic earnings per ordinary share	**21.2p**	27.8p
Diluted earnings per ordinary share	**21.0p**	27.5p
Basic underlying earnings per ordinary share	**24.5p**	29.6p
Diluted underlying earnings per ordinary share	**24.2p**	29.4p

10. Intangible Assets

	Brand names and trademarks £m	Customer relationships £m	Supplier relationships £m	Favourable leases £m	Computer software £m	Goodwill £m	Total £m
Cost							
At 31 March 2017	9.8	14.9	7.8	2.3	55.8	364.7	455.3
Reclassification to Tangibles	–	–	–	–	(4.4)	–	(4.4)
Additions	–	–	–	–	18.0	–	18.0
Disposals	–	–	–	–	(4.5)	–	(4.5)
At 30 March 2018	9.8	14.9	7.8	2.3	64.9	364.7	464.4
Additions	–	–	–	–	11.0	–	11.0
Disposals	–	–	–	–	(8.3)	–	(8.3)
At 29 March 2019	**9.8**	**14.9**	**7.8**	**2.3**	**67.6**	**364.7**	**467.1**
Amortisation							
At 31 March 2017	2.2	9.9	0.4	0.6	26.4	21.7	61.2
Reclassification to Tangibles	–	–	–	–	(0.4)	–	(0.4)
Charge for the period	0.7	0.7	0.5	0.1	9.3	–	11.3
Disposals	–	–	–	–	(1.6)	–	(1.6)
At 30 March 2018	2.9	10.6	0.9	0.7	33.7	21.7	70.5
Charge for the period	0.7	0.7	0.5	0.1	11.0	–	13.0
Disposals	–	–	–	–	(3.8)	–	(3.8)
At 29 March 2019	**3.6**	**11.3**	**1.4**	**0.8**	**40.9**	**21.7**	**79.7**
Net book value at 29 March 2019	**6.2**	**3.6**	**6.4**	**1.5**	**26.7**	**343.0**	**387.4**
Net book value at 30 March 2018	6.9	4.3	6.9	1.6	31.2	343.0	393.9

No intangible assets are held as security for external borrowings.

Product rights of £0.2m, which are fully amortised, have been included within brand names and trademarks.

Goodwill of £253.1m arose on the acquisition of Halfords Holdings Limited by the Company on 31 August 2002 and is allocated to the Retail segment. The goodwill relates to a portfolio of sites within the UK which management monitors on an overall basis as a group of cash-generating units being Retail. Goodwill of £69.7m arose on the acquisition of Nationwide Autocentres on 17 February 2010 and is allocated to the Car Servicing segment. The goodwill relates to a portfolio of centres within the UK which management monitors on an overall basis as a group of cash-generating units being Car Servicing. Goodwill of £10.7m arose on the acquisition of Boardman Bikes Limited and Boardman International Limited on 4 June 2014 and is allocated to the Retail segment. The goodwill relates to the two Boardman entities which management monitors on an overall basis as part of the Retail cash-generating unit. Goodwill of £9.5m arose on the acquisition of Tredz Limited and Wheelies Direct Limited on 23 May 2016 and is allocated to the Retail segment. The goodwill relates to the two entities which management monitors on an overall basis as part of the Retail cash-generating unit.

The goodwill arising on the acquisition of the Nationwide Autocentres is attributable to a) future income to be generated from new retail, fleet customer contracts and related relationships, b) the workforce, c) the value of immaterial other intangible assets, and d) operating synergies. The goodwill on acquisition of the Boardman Bikes is attributable to a) operating synergies and increased control of operations, b) the value of immaterial other intangible assets, and c) future income to be generated from new retail customer contracts and related relationships. The goodwill on acquisition of Tredz and Wheelies is attributable to a) assembled workforce and b) future expansion and growth opportunities.

The recoverable amount of goodwill is determined based on "value-in-use" calculations for each of the two groups of cash-generating units, being Retail and Car Servicing. This is the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 1.

Notes to the Financial Statements

10. Intangible Assets continued

The value-in-use of the goodwill held at 29 March 2019 and 30 March 2018 is driven by, and is most sensitive to, the key assumptions underlying the recoverable amounts of the Group cash-generating units, which are the discount rate and growth rate.

Cash flow projections are based on financial budgets approved by management covering a five-year period, which are reviewed by the Board. Budgets are based on both past performance and expectations for future market development, linked to the strategy of the Group as set out in the Strategic Report section in these financial statements.

The growth rates used to extrapolate cash flows beyond the budget period, as set out in the table below, do not exceed long-term industry averages and reflect the revenue growth and ongoing efficiency initiatives, and the relative maturity of the Retail and Autocentres businesses.

The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the cash-generating units. The pre-tax discount rates used to calculate value in use are derived from the Group's post-tax weighted average cost of capital, as adjusted for the specific risks relating to each cash-generating unit. The discount rates used are shown below.

		Retail		**Car Servicing**	
	Notes	**2019**	2018	**2019**	2018
Discount rate	1	**10.6%**	9.5%	**10.8%**	9.5%
Growth rate	2	**0.0%**	0.0%	**1.0%**	1.0%

Notes:

1. Pre-tax discount rate applied to the cash flow projections.
2. Growth rate used to extrapolate cash flows beyond the five-year budget period.

Sensitivity analysis on the key assumptions in the value-in-use calculations has been undertaken, which found that there is a more than adequate amount of headroom before an impairment would be triggered. As stated in the Audit Committee report on page 91, the key judgement relates to the Car Servicing business. The Directors are confident that a reasonably possible change in the key assumptions, including a +1.0% change in the discount rate and a -1.0% change in the growth rate, would not cause the carrying amounts to exceed the estimated recoverable amounts.

Overall, the Directors have concluded that the recoverable value of the Group's CGUs exceeded their carrying amount.

11. Property, Plant and Equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost				
At 31 March 2017	77.3	215.1	0.2	292.6
Reclassification from intangibles	–	4.4	–	4.4
Additions	3.6	13.9	1.8	19.3
Disposals	(0.8)	(4.2)	–	(5.0)
At 30 March 2018	80.1	229.2	2.0	311.3
Transfer between classes	–	2.0	(2.0)	–
Additions	2.3	17.7	–	20.0
Disposals	(2.0)	(8.6)	–	(10.6)
At 29 March 2019	**80.4**	**240.3**	**–**	**320.7**
Depreciation and impairment				
At 31 March 2017	42.3	147.5	–	189.8
Reclassification from intangibles	–	0.4	–	0.4
Depreciation and impairment for the period	5.7	17.9	–	23.6
Disposals	(0.7)	(3.1)	–	(3.8)
At 30 March 2018	47.3	162.7	–	210.0
Depreciation and impairment for the period	4.7	18.3	–	23.0
Disposals	(1.1)	(8.5)	–	(9.6)
At 29 March 2019	**50.9**	**172.5**	**–**	**223.4**
Net book value at 29 March 2019	**29.5**	**67.8**	**–**	**97.3**
Net book value at 30 March 2018	32.8	66.5	2.0	101.3

11. Property, Plant and Equipment continued

No fixed assets are held as security for external borrowings.

Included in the above are assets held under finance leases as follows:

	Land and buildings[1] £m	Fixtures, fittings, and equipment £m	Total £m
As at 29 March 2019			
Cost	**12.7**	**3.5**	**16.2**
Additions	**–**	**–**	**–**
Accumulated depreciation	**(7.6)**	**(1.4)**	**(9.0)**
Net book value	**5.1**	**2.1**	**7.2**
As at 30 March 2018			
Cost	12.7	3.0	15.7
Additions	–	0.6	0.6
Accumulated depreciation	(7.1)	(1.0)	(8.1)
Net book value	5.6	2.6	8.2

1. Relates to the Halfords support centre building lease, which expires in 2028.

Finance lease liabilities are payable as follows:

	Minimum lease payments 2019 £m	**Interest 2019 £m**	**Principle 2019 £m**	Minimum lease payments 2018 £m	Interest 2018 £m	Principle 2018 £m
Less than one year	**2.5**	**0.6**	**1.9**	2.0	0.7	1.3
Between one and five years	**5.9**	**2.0**	**3.9**	6.9	2.3	4.6
More than five years	**5.7**	**0.7**	**5.0**	6.8	1.1	5.7
	14.1	**3.3**	**10.8**	15.7	4.1	11.6

12. Investments

	Non-current	
	2019 £m	2018 £m
Equity Investments – at FVOCI		
Investment in Tyres On The Drive	**–**	8.1
	–	8.1

In February 2019 Tyres On The Drive went into administration. Tyres on the Drive sold its entire trade and assets to Victor Holdings Limited (or its subsidiaries). This has left the business with no value. In the previous year, an £8.1m investment was held in Tyres On The Drive, consisting of £4.1m cash consideration in FY17, £3.5m invested in FY18 and a further £0.5m invested during the current year. The equity held represented a stake of c.5%.

During the current year, the investment has been derecognised which has resulted in a debit to OCI as a result of the irrevocable election taken on transition to IFRS 9 in the prior year to account as FVOCI.

13. Inventories

	2019 **£m**	2018 £m
Finished goods for resale	**185.4**	195.5

Finished goods inventories include £20.0m (2018: £21.5m) of provisions to carry inventories at fair value less costs to sell where such value is lower than cost. The Group did not reverse any unutilised provisions during the period.

During the period £8.4m was recognised as an expense in respect of the write-down of inventories (2018: £9.0m) to net realisable value. No inventories are held as security for external borrowings.

Goods bought for resale recognised as a cost of sale amounted to £554.2m (2018: £555.9m).

Following the adoption of IFRS 15, inventories at 29 March 2019 include a right to recover returned goods amounting to £1.8m. These are measured by reference to the former carrying amount of the sold inventories.

14. Trade and Other Receivables

	2019 **£m**	2018 £m
Falling due within one year:		
Trade receivables	**11.6**	10.2
Other receivables	**15.1**	17.9
Prepayments and accrued income	**32.4**	27.9
	59.1	56.0

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 20.

15. Cash and Cash Equivalents

	2019 **£m**	2018 £m
Cash at bank and in hand	**9.8**	27.0

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of certain other Group companies.

16. Borrowings

	2019 £m	2018 £m
Current		
Unsecured bank overdraft	**17.2**	19.5
Finance lease liabilities	**1.3**	1.3
	18.5	20.8
Non-current		
Unsecured bank loan and other borrowings[1]	**63.8**	83.7
Finance lease liabilities	**9.3**	10.3
	73.1	94.0

1. The above borrowings are stated net of unamortised issue costs of £1.2m (2018: £1.3m).

The Group's borrowing facility was extended in the current year, after exercising the option to extend the facility for a further year. The costs incurred to extend the facility were £0.3m. It is a five-year £200m revolving credit facility which began on 4 September 2017 and now expires on 3 September 2022. The facility carries an interest rate of LIBOR plus a margin which is variable based on the gearing measures as set out in the facility covenant certificate and which is currently 100 basis points. Both utilisation and non-utilisation fees are also applicable, being charged when utilisation rises above a set percentage with non-utilisation based on a set percentage of the applicable margin. These charges are based on market rates as are the commitment fees.

The Group had the following undrawn committed borrowing facilities available at each balance sheet date in respect of which all conditions precedent had been met:

	2019 £m	2018 £m
Expiring within one year	**20.0**	20.0
Expiring between one and two years	**–**	–
Expiring between two and five years	**65.0**	85.0
	85.0	105.0

The overdraft facility expiring within one year is an annual facility subject to review at various dates during the period. The facility of £85.0m (2018: £105.0m) relates to the Group's revolving credit facility. All these facilities incurred commitment fees at market rates.

17. Trade and Other Payables

	2019 £m	2018 £m
Current liabilities		
Trade payables	**95.2**	109.3
Other taxation and social security payable	**25.3**	15.2
Other payables	**13.0**	18.1
Deferred income – lease incentives	**5.2**	5.1
Accruals and other deferred income	**37.7**	39.3
	176.4	187.0
Non-current liabilities		
Deferred income – lease incentives	**26.2**	31.2
Accruals and other deferred income	**1.9**	–
	28.1	31.2

Following the adoption of IFRS 15, trade and other payables at 29 March 2019 includes £3.4m of deferred income in relation to product warranties; of which £1.5m is in current liabilities and £1.9m is in non-current liabilities.

Notes to the Financial Statements

18. Provisions

	Property related £m	Other trading £m	Total £m
At 30 March 2018	9.7	6.1	15.8
Charged during the period	4.1	6.7	10.8
Adjustment on adoption of IFRS 15	–	1.7	1.7
Utilised during the period	(0.9)	(5.7)	(6.6)
Released during the period	(1.4)	–	(1.4)
At 29 March 2019	**11.5**	**8.8**	**20.3**
Analysed as:			
Current liabilities	**6.3**	**8.8**	**15.1**
Non-current liabilities	**5.2**	**–**	**5.2**

Property-related provisions consist of costs associated with vacant property, rent reviews and dilapidations. Also included are prior period liabilities in respect of previous assignments of leases where the lessee has entered into administration.

Other trading provisions comprise a sales returns provision, a provision for the costs associated with the closure of stores where necessary, an employer/product liability provision and provision for unused gift vouchers in issue.

19. Deferred Tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon in the current and prior reporting periods.

	Property-related items £m	Short-term timing differences £m	Share-based payments £m	Intangible assets £m	Total £m
At 31 March 2017	5.0	(4.5)	1.2	(2.5)	(0.8)
Credit/(charge) to the income statement	(1.4)	(1.9)	0.3	0.9	(2.1)
Credit to other comprehensive income	–	0.2	–	–	0.2
Charge to equity	–	(0.3)	0.3	–	–
At 30 March 2018	3.6	(6.5)	1.8	(1.6)	(2.7)
Credit/(charge) to the income statement	(0.3)	5.6	(1.4)	(1.3)	2.6
Credit to other comprehensive income	–	–	–	–	–
Credit to equity	–	–	–	–	–
At 29 March 2019	**3.3**	**(0.9)**	**0.4**	**(2.9)**	**(0.1)**

Deferred income tax assets and liabilities are offset when the Group has a legally enforceable right to do so and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	52 weeks to 29 March 2019	52 weeks to 30 March 2018
Deferred tax assets	**3.7**	5.4
Deferred tax liabilities	**(3.8)**	(8.1)
	(0.1)	(2.7)

20. Financial Instruments and Related Disclosures

a. Treasury Policy

The Group's treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt;
- Invest surplus cash;
- Manage the clearing bank operations of the Group, and
- Manage the foreign exchange risk on its non-sterling cash flows.

Treasury activities are delegated by the Board to the Chief Financial Officer ("CFO"). The CFO controls policy and performance through the line management structure to the Group Treasurer and by reference to the Treasury Committee. The Treasury Committee meets regularly to monitor the performance of the Treasury function.

Policies for managing financial risks are governed by Board-approved policies and procedures, which are reviewed on an annual basis.

The Group's debt management policy is to provide an appropriate level of funding to finance the Business Plan over the medium term at a competitive cost and ensure flexibility to meet the changing needs of the Group. Details of the Group's current borrowing facilities are contained in Note 16.

b. Accounting Classifications and Fair Value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					
29 March 2019	Note	Fair value – hedging instruments £m	Mandatorily at FVTPL – others £m	FVOCI – equity instruments £m	Amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value							
Forward exchange contracts used for hedging		**3.2**	–	–	–	–	**3.2**
Equity investments	12	–	–	–	–	–	–
		3.2	–	–	–	–	**3.2**
Financial assets not measured at fair value							
Trade and other receivables*	14	–	–	–	**26.7**	–	**26.7**
Cash and cash equivalents	15	–	–	–	**9.8**	–	**9.8**
		–	–	–	**36.5**	–	**36.5**
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging		**(1.4)**	–	–	–	–	**(1.4)**
		(1.4)	–	–	–	–	**(1.4)**
Financial liabilities not measured at fair value							
Borrowings	16	–	–	–	–	**(81.0)**	**(81.0)**
Current tax liabilities		–	–	–	–	**(1.3)**	**(1.3)**
Finance lease liabilities	16	–	–	–	–	**(10.6)**	**(10.6)**
Trade and other payables**	17	–	–	–	–	**(95.2)**	**(95.2)**
		–	–	–	–	**(188.1)**	**(188.1)**

* Prepayments and accrued income of £32.4m are not included as a financial asset.

** Other taxation and social security payables of £25.3m, deferred income of £31.4m, accruals of £39.6m and other payables of £13.0m are not included as a financial liability.

20. Financial Instruments and Related Disclosures continued

30 March 2018	Note	Carrying amount Fair value – hedging instruments £m	Mandatorily at FVTPL – others £m	FVOCI – equity instruments £m	Amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value							
Forward exchange contracts used for hedging		0.3	–	–	–	–	0.3
Equity investments	12	–	–	8.1	–	–	8.1
		0.3	–	8.1	–	–	8.4
Financial assets not measured at fair value							
Trade and other receivables*	14	–	–	–	28.1	–	28.1
Cash and cash equivalents	15	–	–	–	27.0	–	27.0
		–	–	–	55.1	–	55.1
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging		(5.4)	–	–	–	–	(5.4)
		(5.4)	–	–	–	–	(5.4)
Financial liabilities not measured at fair value							
Borrowings	16	–	–	–	–	(103.2)	(103.2)
Current tax liabilities		–	–	–	–	(3.3)	(3.3)
Finance lease liabilities	16	–	–	–	–	(11.6)	(11.6)
Trade and other payables**	17	–	–	–	–	(112.4)	(112.4)
		–	–	–	–	(230.5)	(230.5)

* Prepayments and accrued income of £27.9m are not included as a financial asset.
** Other taxation and social security payables of £15.2m, deferred income of £36.3m, accruals of £36.2m and other payables of £18.1m are not included as a financial liability.

The fair values of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables and finance lease obligations, short-term deposits and borrowings	The fair value approximates to the carrying amount because of the short maturity of these instruments, using an interest rate of 7.1% for long-term finance lease obligations.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to market rates at intervals of less than one year.
Forward currency contracts	The fair value is determined using the market forward rates at the reporting date and the outright contract rate.

20. Financial Instruments and Related Disclosures continued

Fair Value Hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All financial instruments carried at fair value have been measured by a Level 2 valuation method.

c. Financial Risk Management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk.

i) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors are responsible for establishing the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was £39.7m (2018: £55.4m).

Impairment losses on financial assets recognised in profit or loss were as follows:

£m	**52 weeks to 29 March 2019**	52 weeks to 30 March 2018
Impairment loss on trade and other receivables	**0.1**	0.5
Impairment loss on cash and cash equivalents	**–**	–
	0.1	0.5

Trade receivables

The Group does not have any individually significant customers and so no significant concentration of credit risk.

The majority of the Group's sales are paid in cash at point of sale which further limits the Group's exposure. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers. All trade receivables are based in the United Kingdom.

The Group has taken into account the historic credit losses incurred on trade receivables and adjusted it for forward-looking estimates. The movement in the allowance for impairment in respect of trade receivables during the year was £0.2m.

Notes to the Financial Statements

20. Financial Instruments and Related Disclosures continued

Cash and cash equivalents

The Group held cash and cash equivalents of £9.8m at 29 March 2019 (2018: £27.0m). The cash and cash equivalents are held with bank and financial institution counterparties which are designated 'A-' by Standard & Poor and Fitch and A3 by Moody's. The Group does not consider there to be any impairment loss in respect of these balances (2018: £nil).

Derivatives

The derivatives are entered into with bank and financial institutions counterparties which are designated at least BBB by Standard & Poor and Fitch and Baa3 by Moody's.

iii) Market risk

The Group's exposure to market risk predominantly relates to interest, currency and commodity risk. These are discussed further below. Commodity risk is due to the Group's products being manufactured from metals and other raw materials, subject to price fluctuation. The Group mitigates this risk through negotiating fixed purchase costs or maintaining flexibility over the specification of finished products produced by its supply chain to meet fluctuations.

Foreign currency risk

The Group has a significant transaction exposure with increasing direct-sourced purchases from its suppliers in the Far East, with most of the trade being in US dollars. The Group's policy is to manage the foreign exchange transaction exposures of the business to ensure the actual costs do not exceed the budget costs by more than 10% (excluding increases in the base cost of the product).

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of non-sterling businesses whilst they remain immaterial.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedging item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and Group's own credit risk on the fair value of the forward exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- Changes in the timing of the hedged item.

During the 52 weeks to 29 March 2019, the foreign exchange management policy was to hedge via forward contract purchase between 75% and 100% of the material foreign exchange transaction exposures on a rolling 18-month basis. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts.

At 29 March 2019, the Group held the following instruments to hedge exposures to changes in foreign currency:

		Maturity	
Forward exchange contracts	**1–6 months**	**6–12 months**	**More than one year**
Net exposure (in £m)	**85.6**	**45.3**	**21.8**
Average GBP:USD forward contract rate	**1.3267**	**1.3243**	**1.3519**

At 30 March 2018, the Group held the following instruments to hedge exposures to changes in foreign currency:

		Maturity	
Forward exchange contracts	1–6 months	6–12 months	More than one year
Net exposure (in £m)	119.3	46.8	27.0
Average GBP:USD forward contract rate	1.3483	1.3647	1.3891

20. Financial Instruments and Related Disclosures continued

The amounts at the reporting date relating to items designated as hedged items were as follows:

Forward currency risk	Change in value used for calculating hedge ineffectiveness £m	Cash flow hedge reserve £m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied £m
At 29 March 2019			
Inventory purchases	**20.0**	**1.8**	**–**
At 30 March 2018			
Inventory purchases	20.1	(5.1)	–

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	29 March 2019		30 March 2018	
	USD £m	**Other £m**	USD £m	Other £m
Cash and cash equivalents	**–**	**0.5**	0.2	0.5
Trade and other payables	**(9.6)**	**(0.4)**	(23.8)	(0.9)
	(9.6)	**0.1**	(23.6)	(0.4)

The table below shows the Group's sensitivity to foreign exchange rates on its US dollar financial instruments, the major currency in which the Group's derivatives are denominated.

	2019 Increase/ (decrease) in equity £m	2018 Increase/ (decrease) in equity £m
10% appreciation of the US dollar	**17.3**	15.3
10% depreciation of the US dollar	**(14.2)**	(12.5)

A strengthening/weakening of sterling, as indicated, against the USD at 29 March 2019 would have increased/(decreased) equity and profit or loss by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

The movements in equity relates to the fair value movements on the Group's forward contracts that are used to hedge future stock purchases.

Interest rate risk

The Group's policy aims to manage the interest cost of the Group within the constraints of the Business Plan and its financial covenants. The Group's borrowings are currently subject to floating rate interest rates and the Group will continue to monitor movements in the swap market.

If interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank borrowings which attract interest at floating rates) were to change by + or – 1% the impact on the results in the Income Statement and equity would be a decrease/increase of £0.7m (2018: £0.6m).

Interest rate movements on deposits, obligations under finance leases, trade payables, trade receivables, and other financial instruments do not present a material exposure to the Group's statement of financial position.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group manages capital by operating within a debt ratio, which is calculated as the ratio of net debt to underlying EBITDA. This was 0.8:1 in 2019 (2018: 0.8:1).

Notes to the Financial Statements

20. Financial Instruments and Related Disclosures continued

Pension liability risk

The Group has no association with any defined-benefit pension scheme and therefore carries no deferred, current or future liabilities in respect of such a scheme. The Group operates a number of Group Personal Pension Plans for colleagues.

Liquidity risk

The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan. The minimum liquidity level is currently set at £30m, such that under Treasury Policy the maximum drawings would be £170m of the £200m available facility, to include the Overdraft Facility of £20m.

The process to manage the risk is to ensure there are contracts in place for key suppliers, detailing the payment terms, and for providers of debt, the Group ensured that such counterparties used for credit transactions held at least an 'A-' credit rating at the time of the amend and extend agreement (September 2017). The Group may, subject to Board approval in any and every such incidence, allow a counterparty to have a credit rating of less than A but no less than investment grade at the time of signing the facilities on the basis that the counterparty only has a junior role in the debt syndicate and has zero ancillary business until if/when its credit rating is designated A-. At the year-end the senior banks within the banking group maintained a credit rating of A- or above, in line with Treasury policy, with the junior bank holding a credit rating of BB+. The counterparty credit risk is reviewed by the Chief Financial Officer regularly as part of the Treasury Committee process. In addition, the Head of Tax & Treasury reviews credit exposure on a daily basis.

The risk is measured through review of forecast liquidity each month by the Head of Tax & Treasury to determine whether there are sufficient credit facilities to meet forecast requirements, and through monitoring covenants on a regular basis to ensure there are no significant breaches, which would lead to an "Event of Default". Calculations are submitted biannually to the Group banking agent. There have been no breaches of covenants during the reported periods.

The contractual maturities of finance leases are disclosed in Note 11. All trade and other payables are due within one year.

The contractual maturity of bank borrowings, including estimated interest payments and excluding the impact of netting agreements is shown below:

	29 March 2019 Bank borrowings £m	30 March 2018 Bank borrowings £m
Due less than one year	**1.2**	1.1
Expiring between one and two years	**1.2**	1.3
Expiring between two and five years	**65.0**	85.0
Expiring after five years	**–**	–
Contractual cash flows	**67.4**	87.4
Carrying amount	**63.8**	83.7

The following table provides an analysis of the anticipated contractual cash flows for the Group's forward currency contracts. Cash flows receivable in foreign currencies are translated using spot rates as at 29 March 2019 (30 March 2018).

	2019 Receivables £m	**2019 Payables £m**	2018 Receivables £m	2018 Payables £m
Due less than one year	**133.2**	**(130.9)**	133.6	(138.4)
Due between one and two years	**22.6**	**(21.7)**	20.7	(20.7)
Contractual cash flows	**155.8**	**(152.6)**	154.3	(159.1)
Fair value	**3.2**	**(1.4)**	0.3	(5.4)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

21. Capital and Reserves

Ordinary shares of 1p each:	**2019 Number of shares**	**2019 £000**	2018 Number of shares	2018 £000
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 1.5× 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:

	52 weeks to 29 March 2019		
Grant date	**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**

	52 weeks to 30 March 2018				
Grant date	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.

Notes to the Financial Statements

23. Commitments

	2019 £m	2018 £m
Capital expenditure: Contracted but not provided	**0.6**	0.7

At 29 March 2019, the Group was committed to making payments in respect of non-cancellable operating leases in the following periods:

	Land and buildings 2019 £m	Other assets 2019 £m	Restated Land and buildings 2018 £m	Other assets 2018 £m
Within one year	**85.4**	**2.7**	85.3	2.2
Later than one year and less than five years	**269.3**	**3.2**	281.2	3.3
After five years	**158.5**	–	183.4	–
	513.2	**5.9**	549.9	5.5

The Group leases a number of stores and warehouses under operating leases of varying length for which incentives/premiums are received/paid under the relevant lease agreements. Land and buildings have been considered separately for lease classification. The operating lease commitments are shown before total future minimum receipts of sublet income, which totalled £5.1m (2018: £5.7m).

No leases place any commercial restriction on the Group's ability to conduct its business in the manner it sees fit (for instance restrictions on dividends, debt levels or further leases). No lease has clauses that link rental payments to performance, for instance turnover leases and no lease contains contingent rent clauses. All leases include rent escalation clauses setting out the basis for future rent reviews. Typically, these are based on open market conditions or are linked to RPI or CPI.

24. Pensions

Employees are offered membership of the Halfords Pension, which is a contract-based plan, where each member has their own individual pension policy, which they monitor independently. The costs of contributions to the scheme are charged to the income statement in the period that they arise. The contributions to the scheme for the period amounted to £5.4m (2018: £5.5m).

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

25. Contingent Liabilities

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 29 March 2019 amounted to £4.0m (2018: £3.6m).

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

26. Related Party Transactions

The Group's ultimate parent company is Halfords Group plc. A listing of all related undertakings is shown within the financial statements of the Company on pages 159 to 164.

Transactions with Key Management Personnel

The key management personnel of the Group comprise the Executive and Non-Executive Directors and the Halfords Limited and Halfords Autocentres management boards. The details of the remuneration, long-term incentive plans, shareholdings and share option entitlements of individual Directors are included in the Directors' Remuneration Report on pages 99 to 108. Key management compensation is disclosed in Note 4.

Directors of the Company control 0.07% of the ordinary shares of the Company.

27. Off Balance Sheet Arrangements

The Group has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

Company Balance Sheet

	Notes	29 March 2019 £m	30 March 2018 £m
Fixed assets			
Investments	4	**21.2**	20.9
Current assets			
Debtors: amounts falling due within one year	5	**494.4**	485.8
Cash and cash equivalents		**5.1**	6.7
		499.5	492.5
Creditors: amounts falling due within one year	6	**(227.3)**	(169.0)
Net current assets		**272.2**	323.5
Creditors: amounts falling due after more than one year	6	**(63.8)**	(83.7)
Net assets		**229.6**	260.7
Capital and reserves			
Called up share capital	8	**2.0**	2.0
Share premium account	8	**151.0**	151.0
Investment in own shares	8	**(10.0)**	(9.4)
Capital redemption reserve		**0.3**	0.3
Profit and loss account	9	**86.3**	116.8
Total shareholders' funds		**229.6**	260.7

The notes on pages 162 to 164 are an integral part of the Company's financial statements.

The Company has elected to prepare its financial statements under FRS 101 and the accounting policies are outlined on page 161.

The financial statements on pages 159 to 164 were approved by the Board of Directors on 21 May 2019 and were signed on its behalf by:

Loraine Woodhouse
Chief Financial Officer

Company number: 04457314

Company Statement of Changes in Shareholders' Equity

	Share capital £m	Share premium £m	Investment in own shares £m	Capital redemption £m	Retained earnings £m	Total £m
At 31 March 2017	2.0	151.0	(9.5)	0.3	147.0	**290.8**
Profit for the period	–	–	–	–	4.2	**4.2**
Share options exercised	–	–	0.1	–	–	**0.1**
Share-based payments	–	–	–	–	0.4	**0.4**
Dividends paid	–	–	–	–	(34.8)	**(34.8)**
At 30 March 2018	2.0	151.0	(9.4)	0.3	116.8	**260.7**
Profit for the period	–	–	–	–	5.1	**5.1**
Share options exercised	–	–	0.4	–	–	**0.4**
Issue of new Share Options	–	–	(1.0)	–	–	**(1.0)**
Share-based payments	–	–	–	–	0.3	**0.3**
Dividends paid	–	–	–	–	(35.9)	**(35.9)**
At 29 March 2019	**2.0**	**151.0**	**(10.0)**	**0.3**	**86.3**	**229.6**

Accounting Policies

Accounting Convention

The accounts of the Company 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. The accounts are prepared under the historical cost convention, except where Financial Reporting Standards requires an alternative treatment in accordance with applicable UK accounting standards and specifically in accordance with the accounting policies set out below. The principal variation to the historical cost convention relates to share-based payments.

Basis of Preparation

The Company financial statements of Halfords Group plc 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.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100). The Company financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore, the recognition and measurement requirements of EU-adopted IFRSs have been applied, with amendments where necessary in order to comply with Companies Act 2006. During the year IFRS 9 and IFRS 15 were adopted in line with Group policy.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group financial statements.

As permitted by section 408 of the Companies Act 2006, no profit or loss account is presented for this company. Additionally, no cash flow statement is presented as permitted by FRS 101.8 (h). The profit for the year is disclosed in Note 1 to the financial statements.

Employee Benefit Trusts ("EBTs") are accounted for under IFRS 10 and are consolidated on the basis that the parent has control, thus the assets and liabilities of the EBT are included on the Company balance sheet and shares held by the EBT in the Company are presented as a deduction from equity.

Share-based Payments

The Company operates a number of equity-settled, share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

In accordance with FRS 101 'Group and treasury share transactions', the fair value of the employee services received under such schemes is recognised as an expense in the subsidiary undertaking's financial statements, which benefit from the employee services. The Company has recognised the fair value of the share-based payments as an increase to equity with a corresponding adjustment to investments.

Fair values are determined using appropriate option pricing models. The total fair value recognised 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 do meet the related service and non-market performance conditions at the vesting date.

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 as an adjustment to equity, with a corresponding adjustment to investments, over the remaining vesting period.

Investments

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

Dividends

Final dividends are recognised in the Company'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.

Notes to the Financial Statements

1. Profit and Loss Account

The Company made a profit before dividends paid for the period of £5.4m (52 week period to 30 March 2018: £4.6m). The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone.

2. Fees Payable to the Auditors

Fees payable by the Group to KPMG LLP and their associates during the current and prior period are detailed in Note 3 to the Group financial statements.

3. Staff Costs

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests, including those details required by Schedule 5, are set out in the Remuneration Report on pages 99 to 108 which forms part of the audited information.

4. Investments

	£m
Shares in Group undertaking	
Cost	
As at 30 March 2018	20.9
Additions – share-based payments	0.3
At 29 March 2019	**21.2**

The investments represent shares in the following subsidiary undertakings as at 29 March 2019 and the fair value of share-based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

Subsidiary undertaking	Incorporated in	Ordinary shares percentage owned %	Principal Activities
Halfords Holdings (2006) Limited	Great Britain*	100	Intermediate holding company

* Registered in England and Wales.

In the opinion of the Directors the value of the investments in the subsidiary undertakings is not less than the amount shown above.

4. Investments continued

The related undertakings of the Company at 29 March 2019 are as follows:

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
Subsidiaries registered in England & Wales, with a registered address of:		
Icknield Street Drive, Redditch, Worcestershire, B98 0DE		
Halfords Holdings (2006) Limited	Intermediate holding company	100
Halfords Holdings Limited*	Intermediate holding company	100
Halfords Finance Limited*	Intermediate holding company	100
Halfords Limited*	Retailing of auto parts, accessories, cycles and cycle accessories	100
Halfords Payment Services Limited*	Dormant	100
Halfords Investments (2010) LP**	Intermediate holding partnership	100
Halfords Autocentres Holdings Limited*	Intermediate holding company	100
Halfords Autocentres Funding Limited*	Dormant	100
Halfords Autocentres Limited*	Car servicing	100
Halfords Autocentres Acquisitions Limited*	Dormant	100
NW Autocentres Limited*	Dormant	100
Halfords Autocentres Developments Limited*	Dormant	100
Stop N' Steer Limited*	Dormant	100
Halfords Vehicle Management Limited*	Dormant	100
Boardman Bikes Limited*	Cycle design and cycle sales	100
Boardman International Limited*	Cycle design and cycle sales	100
Cycle Republic Limited*	Dormant	100
Performance Cycling Holdings Limited*	Intermediate holding company	100
Tredz Limited*	Non-trading	100
Wheelies Direct Limited*	Dormant	100
Performance Cycling Limited*	Retailing of cycles and cycle accessories	100
Giant (Wales) Limited*	Non-trading	100
Subsidiary registered in the Republic of Ireland, with a registered address of:		
c/o DWF Dublin, 4 George's Dock, IFSC, Dublin 1, DO1 X8N7		
Halfords Limited (ROI)*	Dormant	100
Other equity investment, registered in Northern Ireland, with a registered address of:		
22 Derryall Road, Portadown, Craigavon, Northern Ireland, BT62 1PL		
Hamilton Internet Services Limited*	E-Commerce	7.7

* Shares held indirectly through subsidiary undertakings.

** Wholly owned indirectly through subsidiary undertakings.

The only subsidiaries to trade during the year were Halfords Limited, Halfords Autocentres Limited, Boardman Bikes Limited, Boardman International Limited and Performance Cycling Limited.

5. Debtors

	2019 £m	2018 £m
Falling due within one year:		
Amounts owed by Group undertakings	**494.4**	485.8
	494.4	485.8

Amounts owed by Group undertakings are subject to interest. At 29 March 2019 the amounts bear interest at a rate of 1.92% (2018: 1.75%).

Notes to the Financial Statements

6. Creditors

	2019 £m	2018 £m
Falling due within one year:		
Bank borrowings (Note 7)	**19.2**	19.7
Amounts owed by Group undertakings	**207.2**	148.7
Accruals and deferred income	**0.9**	0.6
	227.3	169.0
Falling due after more than one year:		
Bank borrowings (Note 7)	**63.8**	83.7
	63.8	83.7

7. Borrowings

	2019 £m	2018 £m
Current		
Unsecured bank overdraft	**19.2**	19.7
Non-current		
Unsecured bank loan and other borrowings (expiring between two and five years)	**63.8**	83.7
	83.0	103.4

The above borrowings are stated net of unamortised issue costs of £1.2m (2018: £1.3m).

Details of the Company's borrowing facilities are in Note 16 to the Group's financial statements.

8. Equity Share Capital

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

During the current period the Company has not changed its share capital. 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.

Potential Issue of Ordinary Shares

The Company has five employee share option schemes, three of which were set up following the Company's flotation, and the MSP and RSP-SMP which were set up in the prior year. Further information regarding these schemes can be found in Note 22 to the Group's financial statements.

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.

9. Reserves

The Company settled dividends of £35.9m (2018: £34.8m) in the period, as detailed in Note 8 to the Group's financial statements.

10. Related Party Disclosures

Under FRS 101 "Related party disclosures" the Company is exempt from disclosing related party transactions with entities which it wholly owns.

11. Contingent Liabilities

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 29 March 2019 amounted to £4.0m (2018: £3.6m).

The Company's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

12. Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

Five Year Record

	52 weeks to 27 March 2015 (pro forma)* £m	52 weeks to 1 April 2016 (audited) £m	52 weeks to 31 March 2017 (audited) £m	52 weeks to 30 March 2018 (audited) £m	**52 weeks to 29 March 2019 (audited) £m**
Revenue	1,004.9	1,021.5	1,095.0	1,135.1	**1,138.6**
Cost of sales	(469.8)	(478.4)	(536.4)	(564.9)	**(559.6)**
Gross profit	535.1	543.1	558.6	570.2	**579.0**
Operating expenses	(450.5)	(458.6)	(481.5)	(495.6)	**(516.8)**
Operating profit before non-underlying items	84.6	84.5	77.1	74.6	**62.2**
Non-underlying operating expenses	(0.3)	(1.7)	(3.4)	(4.8)	**(7.8)**
Operating profit	84.3	82.8	73.7	69.8	**54.4**
Net finance costs	(3.5)	(3.0)	(2.3)	(2.7)	**(3.4)**
Underlying Profit Before Tax**	81.1	81.5	75.4	71.6	**58.8**
Non-underlying operating expenses	(0.3)	(1.7)	(3.4)	(4.8)	**(7.8)**
Non-underlying finance costs	–	–	(0.6)	0.3	**–**
Profit before tax	80.8	79.8	71.4	67.1	**51.0**
Taxation	(17.4)	(16.6)	(15.9)	(13.2)	**(10.5)**
Taxation on non-underlying items	(0.1)	0.3	0.9	0.8	**1.4**
Profit attributable to equity shareholders	63.3	63.5	56.4	54.7	**41.9**
Basic earnings per share	32.5p	32.5p	28.7p	27.8p	**21.2p**
Basic underlying earnings per share**	32.7p	33.2p	30.3p	29.6p	**24.5p**
Weighted average number of shares	194.2m	195.2m	196.6m	197.0m	**197.1m**

* The statutory 53-week period to 3 April 2015 comprises results that are non-comparable to the 52 week periods reported in other years. To provide a more meaningful comparison, the above tables include the pro forma 52 weeks to 27 March 2015.

** These alternative performance measures are defined on page 166.

Glossary of Alternative Performance Measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"), previously termed as 'Non-GAAP measures'. APMs should be considered in addition to IFRS measurements, of which some are shown on page 120. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

1. Like-for-like ("LFL") sales represent revenues from stores, centres and websites that have been trading for at least a year (but excluding prior year sales of stores and centres closed during the year) at constant foreign exchange rates.
2. Underlying EBIT is results from operating activities before non-underlying items, as shown in the Group Income Statement on page 120. Underlying EBITDA further removes depreciation and amortisation.
3. Underlying Profit Before Tax is profit before income tax and non-underlying items as shown in the Group Income Statement on page 120.
4. Underlying Earnings Per Share is profit after income tax before non-underlying items as shown in the Group Income Statement, as shown on page 120, divided by the number of shares in issue.
5. Net Debt is current and non-current borrowings less cash and cash equivalents, both in-hand and at bank, as shown in the Consolidated Statement of Financial Position on page 122; as reconciled below:

	FY19 £m	FY18 £m
Cash and cash equivalents	**9.8**	27.0
Borrowings – current	**(18.5)**	(20.8)
Borrowings – non-current	**(73.1)**	(94.0)
Net Debt	**(81.8)**	(87.8)

6. Net Debt to Underlying EBITDA ratio is represented by the ratio of Net Debt to Underlying EBITDA (both of which are defined above).
7. Adjusted Operating Cash Flow is defined as EBITDA plus share based payment transactions and loss on disposal of property, plant and equipment, less working capital movements and movement in provisions; as reconciled below.

	FY19 £m	FY18 £m
Underlying EBIT	**62.2**	74.6
Depreciation & amortisation	**36.0**	34.9
Underlying EBITDA	**98.2**	109.5
Non-underlying operating expenses	**(7.8)**	(4.8)
EBITDA	**90.4**	104.7
Share-based payment transactions	**0.3**	0.4
Loss on disposal of property, plant & equipment & intangibles	**5.5**	4.1
Working capital movements	**(10.4)**	(12.6)
Provisions movement & other	**2.7**	(1.2)
Adjusted Operating Cash Flow	**88.5**	95.4

8. Free Cash Flow is defined as Adjusted Operating Cash Flow (as defined above) less capital expenditure, net finance costs, taxation, exchange movement and arrangement fees on loans; as reconciled below.

	FY19 £m	FY18 £m
Adjusted Operating Cash Flow	**88.5**	95.4
Capital expenditure	**(29.4)**	(37.0)
Net finance costs	**(3.1)**	(1.9)
Taxation	**(12.7)**	(16.1)
Exchange movement	**(0.3)**	1.9
Arrangement fees on loans	**(0.3)**	(0.8)
Free Cash Flow	**42.7**	41.5

Company Information

Financial Calendar

Friday 26 July 2019	Final Dividend Record Date
Wednesday 31 July 2019	Annual General Meeting
Friday 30 August 2019	Final Dividend Payment Date
Wednesday 4 September 2019	20 Week Trading Update
Thursday 7 November 2019	Interim Results

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