halfords

Halfords Group plc

Annual Report and Accounts
for the period ended 3 April 2015

www.halfordscompany.com

GETTING INTO GEAR 2015

Introduction to

HALFORDS

For more than 110 years Halfords has been synonymous with travel. We are the UK's leading retailer of automotive and cycling products, and the leading independent operator in auto repair. Many of our brands hold number one sales positions, and we see clear opportunities to grow market share in the short and long-term future.

Our vision is clear: **we help and inspire our customers with their life on the move.**

GROUP AT A GLANCE

HELPING AND INSPIRING CUSTOMERS WITH THEIR LIFE ON THE MOVE

Supporting drivers of Every Car

Inspiring cyclists of Every Age

Equipping families for their Leisure Time

Read the Operational Review on page 12

GROUP STRATEGY

5 POINT RETAIL STRATEGY

RETAIL

To deliver growth in retail across our three strategic pillars, we are pursuing a five-point programme called Getting Into Gear, which is designed to deliver a significantly improved customer experience.

Read more on Retail Strategy on pages 14 and 15

4 POINT AUTOCENTRES STRATEGY

AUTOCENTRES

Our footprint of over 300 Autocentres puts us within convenient reach of the majority of the UK population, meaning we are uniquely placed to fulfil our first strategic pillar, Supporting Drivers of Every Car.

Read more on Autocentres Strategy on pages 16 and 17

FACTS AND FIGURES

305
AUTOCENTRES ACROSS THE UK[1]

467
RETAIL STORES IN THE UK AND ROI[1]

2,000
AUTOCENTRE COLLEAGUES[2]

8,000
RETAIL COLLEAGUES[2]

160k
PRODUCTS ONLINE

£1bn
GROUP REVENUE

[1] As at 3 April 2015

[2] In addition there are circa 1,000 colleagues in our support centre, supply chain and warehouse and distribution operations

ONLINE REPORT

halfords.annualreport2015.com

Read our Annual Report online, including the full Remuneration Policy.

CORPORATE WEBSITE

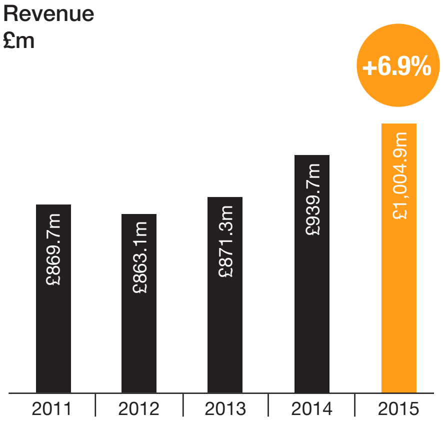
www.halfordscompany.com

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

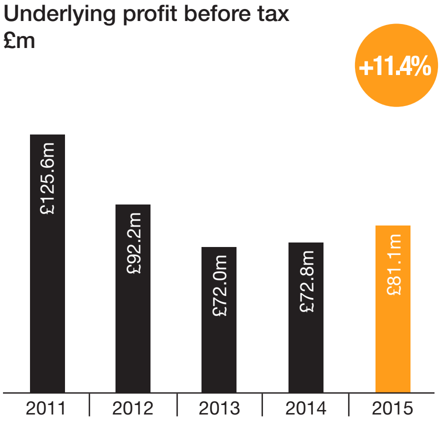
GROUP HIGHLIGHTS

FINANCIAL HIGHLIGHTS

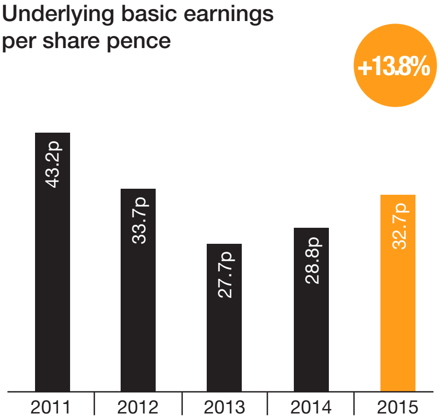
Revenue
£m



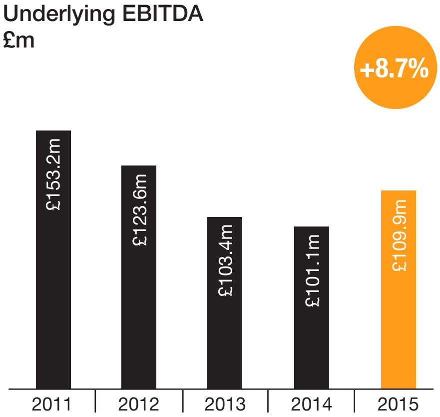
Underlying profit before tax
£m



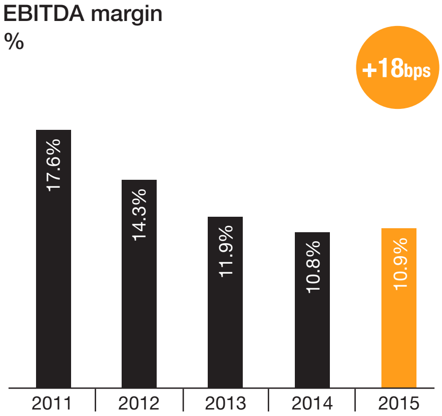
Underlying basic earnings per share pence



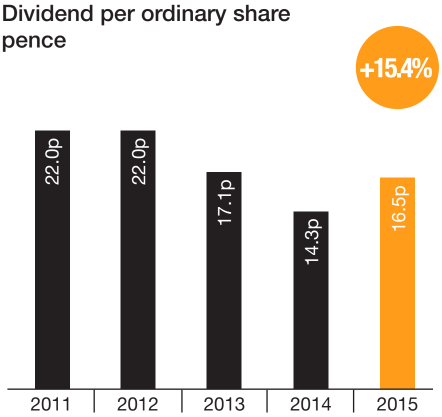
Underlying EBITDA
£m



EBITDA margin
%



Dividend per ordinary share pence



OPERATIONAL HIGHLIGHTS

72
STORES TRADING UNDER REFRESHED FORMAT

46%
RETAIL COLLEAGUES THROUGH GEAR 2

77%
RETAIL NET PROMOTER SCORE

+11.4%
GROWTH IN CYCLING SALES

+14.3%
GROWTH IN ONLINE RETAIL SALES

4
CYCLE REPUBLIC SHOPS OPENED IN THE YEAR

All FY15 numbers presented on this page represent the 52 week proforma results for the period ended 27 March 2015.

CHAIRMAN'S STATEMENT

"This was another year of strong revenue growth, this time against tough comparatives. We are delighted to have exceeded £1bn Group Revenue. Our strategy is also progressing well as we build a sustainable platform for future growth."

£1bn
GROUP REVENUE

+7.0%
RETAIL LIKE-FOR-LIKE SALES

I am pleased to report strong financial results for Halfords and further progress on our strategic priorities.

At the core of our strategy is customer service and investment in our colleagues, proposition and infrastructure. In Retail, colleagues progressed well through their Gear 2 training and we have more refreshed stores, launched *Cycle Republic* and significantly strengthened authority in our key categories. Autocentres has a clear strategy under new leadership and has delivered an improved sales performance whilst continuing to invest.

There is still more to do in both Retail and Autocentres; FY16 will be a busy year of activity, with the business supported by a tailwind of momentum and a strong, engaged team of management and colleagues.

The financial results for the year and confidence in the future prospects have enabled the Board to recommend a full year dividend of 16.5 pence, an increase of 15.4%.

On behalf of the Board I would like to thank all 11,000 of our colleagues for their enthusiasm and commitment to the journey this business is on. I would also like to thank both Matt Davies, who left at the end of April, and Andrew Findlay, who leaves later this year. It has been a real pleasure working with both of them – their contribution to Halfords has been outstanding.

In May 2015 the Board appointed Jill McDonald as Chief Executive Officer and we are looking forward to the significant contribution she will make. She joins a business that I believe is in great shape, with significant opportunities ahead.

The new financial year has started positively, with continued progress in delivering our strategic priorities.

Dennis Millard
Chairman
4 June 2015

OUR NEW CHIEF EXECUTIVE

Halfords is a business and a brand that resonates with me and so I was delighted when offered the opportunity to become Chief Executive. In my first few weeks here I have been really impressed with the commitment and enthusiasm of our colleagues, and it is very apparent that the focus on delivering customer service excellence is becoming embedded in the DNA of the business.

Halfords has clearly made great progress on its strategic plans in the last year, and we will continue to deliver the priorities for FY16, as well as looking and planning further ahead.

I look forward to working with the entire team of management and colleagues to continue the positive journey that this company is on and to build upon it even further.

Jill McDonald
Chief Executive Officer
4 June 2015

MARKETPLACE

"Our presence in the auto, cycling and leisure markets is unique in the UK. Backed by a heritage and brand trusted by millions, our position is strong, and we're well-placed to thrive in changing market conditions."

WE CONTINUE TO GROW MARKET SHARE IN OUR CORE SECTORS, BUILDING AND MAINTAINING LEADING POSITIONS.

MARKETPLACE

Halfords operates in a number of retail and service markets across our 467 stores[1] and 305 autocentres[1] throughout the UK.

Our products and services can be grouped into auto, cycling and leisure, and our presence in these markets is unique. With 90% of the UK population living within a 20 minute drive of one of our locations, we are within convenient access for a large customer base.

Backed by a heritage and brand trusted by millions, our position is strong, and we're well-placed to thrive in changing market conditions.

SUPPORTING DRIVERS OF EVERY CAR

The number of drivers in the UK (the "car parc") is increasing. It is estimated that there are currently approximately 700,000 new drivers each year and the number of car registrations is growing faster than the number of cars being written off. The number of miles driven in the UK increased again in 2014, having declined during the recession. Petrol prices dropping to a four-year low recently will help this trend to continue.

In this expanding market, Halfords supports drivers of all ages. Our expertise and service is important to both new and experienced drivers alike. Winning the hearts and minds of new drivers through our expertise and value as they gain experience is key to building a long-term customer base.

The average car in the UK is currently estimated to be 7.4 years old. More new cars on the road is conducive to increased fitting and servicing requirements, as newer cars are becoming more technically advanced and have more specific requirements for maintenance. The shift from 'DIY' to 'Do-It-For-Me' (DIFM) is clear.

Our product ranges continue to evolve in line with market requirements and advances in automotive technology. For example, stop-start batteries are becoming increasingly prevalent and we have the right equipment and fully-trained colleagues to be able to cater to this demand, both in our Retail stores and our Autocentres.

We have seen good growth in some subsections of our in-car technology offering. In-car cameras ('dash cams') have proved very popular, with a full fitting service just landed. In multimedia, connectivity and streaming technology, this year saw us launch an Apple-certified system and an Android one is coming soon.

The sat nav market continues to decline, but this is becoming an increasingly smaller and less important part of our business. Key products such as child car seats continue to be important for customers and are providing growth.

Likewise, the services we offer alongside our products continue to evolve, as evidenced by the continued success of our "3Bs" (bulbs, blades, batteries) fitting service. In FY15 in the Retail stores we sold 5.3 million car bulbs and fitted 41% of these on demand.

The growth in new drivers, cars, miles driven and car complexity is also an opportunity for our Autocentres business to attract and retain new customers. Trust, value, convenience and the attitude of our colleagues are also key to doing this as well as retaining our long-standing Halfords customers. There are few businesses that can match us in what we offer.

[1] As at 3 April 2015

INSPIRING CYCLISTS OF EVERY AGE

The cycling market in the UK is changing. Whilst the total volume of bikes sold has remained level over the past few years, according to Mintel, the popularity of cycling has led to customers willing to pay more for better products and more on accessories, meaning the market is growing in value terms. Mintel estimate the market will grow by c.33% in the next five years.

Halfords have reacted to and encouraged this trend by focusing on premium ranges, making available a wide range of parts and accessories, and leveraging the knowledge of the colleagues to enhance recommendations and upselling. We also remain very focused on our children's bikes offer and there has also been significant effort to improve our offering on entry-level bikes.

Our bike sales are split by type, with mountain and hybrid making up the bulk of adult bike sales. Road bikes represent a smaller proportion of volume, but with higher average selling prices. There has been considerable growth in sales of foldable commuter bikes.

The trend for road bikes is supported by Government regulation, with new laws that road infrastructure in new builds must take cycling into consideration. In recent months the Cycle Superhighways in London received the green light and work has already started to create them.

Halfords is one of many organisations lobbying the Government to invest £10 in cycling for every person in the UK.

This investment could further boost the valuable road bike market, which is mainly represented in city centre cycling. This has driven our introduction of a new cycling only store format, *Cycle Republic*, to be opened in London and other key city cycling locations, where Halfords' penetration has been low.

These new *Cycle Republic* stores are giving us access to a new customer base, with a different appetite; a much higher proportion of sales being accounted for by accessories than in other locations.

Female cyclists are another area of focus for us, as they're currently not being catered for enough in the premium market. While a significant amount of SKUs under £500 are accounted for by women's bikes, the reverse is true for bikes above that price. In response, we are launching five premium women's bikes in FY16, three from the *13* range, and two in the *VooDoo* range.

We are experimenting with electric and power-assisted bikes in our *Carrera* range, in response to an emerging trend in Europe. We anticipate these products being particularly popular within our London market, and for older cyclists.

Finally, as we see an increased demand for higher-value bikes, demand for cycle repair has also increased - another area of focus for the business.

EQUIPPING FAMILIES FOR THEIR LEISURE TIME

This third category pillar occupies the smallest element of Halfords Retail sales. It is spread across several fragmented markets, principally encompassing camping and outdoor leisure. The range includes a variety of strategically chosen impulse products, which change throughout the year.

SUSTAINABLE BUSINESS

FREE BIKE WORKSHOPS

In FY15 over 20,000 children and parents attended free Kids' Bike Workshops in store to learn the basics of how to look after their bike, with 96% of parents likely to recommend the summer workshop to others. In FY16, together with the Easter holiday, stores will run the workshop in the summer and during the October half-term week.

Building on the success of these workshops, Halfords now also partners with the Scouts Association, with over 9,000 children being taught bike maintenance as part of the Cub Cyclist Activity badge. In addition, Halfords now runs tailored workshops in schools, focused on year-six pupils as they progress through Bikeability (formerly called cycling proficiency) with over 12,000 attending during the year.

In February 2015, Halfords launched a partnership with Breeze, British Cycling's women's network. The partnership will involve promotion of the network and its benefits, bike mechanic support at key Breeze events and workshops teaching women some elements of bike maintenance.

See more at www.halfords.com/bikeclub and www.scouts.org.uk/halfords

BUSINESS MODEL

KEY PARTNERS

- PRODUCT DESIGNERS
- PRODUCT MANUFACTURERS
- ACCREDITATION BODIES
- BRAND OWNERS
- PARTS FACTORS
- IT & NETWORK PROVIDERS
- REGULATORS & GOVERNMENT

KEY RESOURCES

- BRANDS
- 467 STORES[1]
- 305 AUTOCENTRES[1]
- CATEGORY EXPERTISE
- CENTRALISED DISTRIBUTION CENTRES
- c.11,000 COLLEAGUES
- CASH GENERATION
- COMPETITIVE FUNDING
- HALFORDS ASIA SOURCING
- OWN BRANDS

KEY ACTIVITIES

- MARKETING
- BUYING
- RETAILING AND MERCHANDISING
- TRAINING & DEVELOPMENT
- INVENTORY MANAGEMENT
- DISTRIBUTION
- ONLINE FULFILMENT
- BUILD, FIT, REPAIR AND GARAGE SERVICES

VALUE PROPOSITION

PRICES YOU CAN TRUST

QUALITY YOU CAN TRUST

RANGE YOU CAN RELY ON

SERVICE THAT WOWS

A UNIQUE PRODUCT AND SERVICE OFFER FOR MOTORISTS, CYCLISTS AND FAMILIES WHICH PROVIDES AN UNMATCHED COMBINATION OF SERVICE, CONVENIENCE AND RANGE.

HELPING AND INSPIRING OUR CUSTOMERS WITH THEIR LIFE ON THE MOVE.

CHANNELS

- TV, RADIO, EMAIL AND HIGH STREET ADVERTISING
- STORE COLLECTION OR HOME DELIVERY
- TABLET AND MOBILE OPTIMISED WEBSITE
- REFINING A CONSISTENT AND INTEGRATED ONLINE AND IN-STORE EXPERIENCE

CUSTOMER RELATIONSHIPS

- "WE DO MORE FOR YOU"
- LOW COST FITTING, BUILDING AND REPAIR SERVICE
- KNOWLEDGEABLE, HELPFUL COLLEAGUES
- CONVENIENT LOCATIONS FOR 90% OF POPULATION

OUR PILLARS

Supporting drivers of Every Car

Inspiring cyclists of Every Age

Equipping families for their Leisure Time

[1] As at 3 April 2015

KEY PARTNERS

Our strategic relationships drive our ability to deliver value. More broadly we source our products from suppliers around the world who manufacture products to our designs and rigid specifications. Our various brands, including *13*, *Apollo*, *Carrera* and *Boardman*, are designed in-house and manufactured in factories in the Far East. Our Hong Kong office manages the production lead times and arranges shipments to the UK.

In both our Retail and Autocentres businesses we have a close relationship with parts factors, giving us on-demand access to thousands of car parts without having to hold them in stock.

IT systems are crucial to how we operate, both in-store and in the Support Centre. During the year we completed the upgrade of our core operating platform (SAP) and are ready to start programmes to save time in-store.

See the material issues identified by engaging with our key partners on page 8

KEY RESOURCES

Our leading Auto and Cycling brands are sold across our 467 nationwide stores. Our 305 autocentres offer a full service, maintenance and repair service across all car marques. Within these establishments, our c.11,000 colleagues are face-to-face with our customers on a daily basis, allowing us to deliver the customer service we aspire to.

See what we are doing to support our colleagues in delivering this service on pages 9,10 and 17

We are a cash generative business and have generated £66.4m of free cash flow in the year. We are well supported by our banking syndicate, having amended the debt facility during the year and extended to November 2019.

Chief Financial Officer's Review on page 25

We translate our category expertise to offer an unmatched range of products, all of which contribute to the Halfords brand.

KEY ACTIVITIES

Our stores generate profit from the combination of low-cost sourcing and supply chain coupled with our excellent marketing skills and national store network. In Autocentres, our structure allows us to offer a lower price than most franchised garages and a more comprehensive service than many independent garages can match.

Training and accreditation, such as our 3-Gears training programme, ensures that consistent product knowledge and service reaches our customers across all our locations.

3-Gears on page 10

Our internal operations draw from the best industry practice. Our retail operation sales plan is based on close attention to market demands. We source direct from global suppliers who manufacture products to our designs and rigid specifications. Our distribution team use their specialist knowledge to group and ship products in line with the sales plan.

VALUE PROPOSITION

Halfords are the nation's go-to retailer for cyclists and motorists. Our products and services are as relevant to our customers today as they were when we started out over 100 years ago. We are setting out to grow our business by attracting more customers, encouraging them to buy more products and services, and persuading them to visit our stores and autocentres more often. To do this we make four promises:

PRICE

It is important to our growth plans that we offer prices our customers trust. We want our customers to feel they are getting value for money. We offer a number of bundled prices which mean none of the typical hidden costs that customers can encounter when, for example, having to buy the product then buy the fitting. More are to come.

QUALITY

Product quality is another important aspect of value for money. We want customers to have confidence that their purchases will last. In listening to our customers' feedback we have made changes to our products to help customers trust our quality.

RANGE

Our smart category management ensures that we remain a natural destination for our customers by offering a range of products that suits their varied needs. Our range encompasses car parts, in-car technology, child seats, cycling, roof boxes, and outdoor leisure and camping equipment, with a combination of own brand and third party brands to meet customers' needs.

SERVICE

We have four objectives to continually improve the experience of our customers:

- To make Halfords a great place to work
- To provide stores that we are proud of
- To provide services that make us the best
- To delight every customer

CHANNELS

We want to create a compelling shopping experience that excites customers, improves their knowledge of our products and services, and engages them emotionally with our brand. Along with our retail stores and autocentres where we engage with customers face-to-face, we recognise it is crucial to build our digital channels so that we can fully engage with customers online. Our ambition is to create a service-led, fully integrated digital proposition which will maintain our ongoing relevance.

CUSTOMER RELATIONSHIPS

Our ability to offer a friendly and expertise-based service is fundamental to sustainable sales growth. We want customers to have a better experience at Halfords than they would at non-service based retailers. This will mean they are more likely to spend more with us and recommend us to their friends. Our Service Revolution will ensure customers are served by colleagues who are enthusiastic about their role at Halfords and the products and services we offer. With stores less than a 20 mile drive away for 90% of the UK's population, we are well-placed to foster convenient and close customer relationships.

See how developing our customer relationships is a material issue on page 8

OUR PILLARS

SUPPORTING DRIVERS OF EVERY CAR

Through our core categories of Car Maintenance, Car Enhancement and Car Servicing, we provide services and expertise to take the hassle out of motoring.

INSPIRING CYCLISTS OF EVERY AGE

Thanks to our scale, positioning and the successful extension of our ranges into the premium segment of the cycling market, we are the biggest player in cycling retail.

EQUIPPING FAMILIES FOR THEIR LEISURE TIME

Our camping and outdoor leisure ranges make up the smallest element of our retail sales, spread across several fragmented markets.

MATERIAL ISSUES

Halfords' vision is to help and inspire our customers with their life on the move by offering unique in-store services and a compelling product range with expert services. The table below identifies the key stakeholders we interact with to achieve this vision and outlines how and why we engage with them.

Why we engage	Material issues	What we are doing
Customers		
Customers want value, personalisation, and trustworthy advice and service. We want to know how we are performing so we can deliver unparalleled products and services.	• Value for money • Customer service • Convenience • Range	• Service Revolution • The 'H' Factor • Stores Fit to Shop • 21st Century Infrastructure • Click with the Digital Future
Colleagues		
Our colleagues are fundamental to the achievement of our customer experience ambitions.	• Career opportunities • Pay and conditions • Training and development • Innovation • Colleague engagement	• '3-Gears' training programme - see page 10 • Listening: surveys and colleague groups • 'Accelerate' management development courses • Recognition and reward
Suppliers		
Our brand relies heavily on the high standards of our carefully selected suppliers in order for us to deliver market-leading products and services.	• Quality management • Cost efficiency • Ethical Trading policy • Speed to market • Security of supply	• Far East trading office developing mutually beneficial relationships • Logistics efficiencies and environmental management • Supplier conferences
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.	• Future-orientated information • Risk information • Operating and financial performance • Dividend • Access to management	• Integrated reporting page – explained IBC • Consistent KPIs provided through clear and regular updates - see pages 22 to 24 • Responding to investor queries and meeting requests • Recognition in Social Responsibility investor indices e.g. FTSE4Good
Communities		
We aim to contribute positively to the communities and environment in which we operate.	• Impact of Group activities on the wider community • Developing future customers	• Re-Cycle partnership • Onley Prison workshops giving training and employment opportunities for ex-offenders • Free kids' holiday bike clubs - see page 5 • Cub Scouts Cyclist Activity badge workshops - see page 5 • Stores will donate payroll hours to engage with local charities
Media		
As a business-to-consumer company, we need strong omnichannel exposure to connect with customers and our wider stakeholder audience.	• Reliable range, product and pricing information • Transparency of reliable and timely Group information	• Product videos and peer reviews • TV and radio advertising campaigns • Email and PR customer engagement • Improving Twitter, Facebook and YouTube content • Monitoring and responding to comments and concerns on social media channels
Government		
Policies and regulatory changes may provide both opportunities and risk to our operations. Working closely with the Government ensures that our products and services evolve.	• Transport policies and schemes • CO_2 reduction strategies	• Cycle to work policy campaigning • DAB Radio working groups • Driver training and vehicle safety enhancements • Engaging with VOSA, DVLA, TSI, ASA and HSE

SUSTAINABLE BUSINESS

RETAIL APPRENTICESHIP SCHEME

Halfords Autocentres has had an apprenticeship scheme for over 20 years and currently has more than 200 apprentices employed in the business. Building on that success, Halfords Retail successfully piloted an apprenticeship scheme during the year and in February formally launched a programme to place 500 apprentices in stores over the first 12 months.

Halfords goes above and beyond the usual apprenticeship model by offering a pre-apprenticeship training scheme, which equips candidates with four qualifications for those completing the three weeks intensive training: Halfords' Gear 1 level training, a Retail Level 1 certificate, an Employability & Personal Development Certificate, and Level 1 or 2 in Maths & English. The scheme is open to people who are not in education, employment or training and on completion of this training, candidates are interviewed and, if successful, offered apprenticeships.

See more information on Autocentres' apprenticeship scheme on page 17

"We see huge potential for the programme to get people back into work and a new wave of talent into retail"

STRATEGIC DELIVERY

CYCLE REPAIR

During the final quarter of FY14 we trialled a new cycle repair operating model in just over 50 stores. This proved successful, with the growth in repair sales outstripping the rest of the stores and also a significant increase in the average repair transaction value, reflecting the more complex work being undertaken. By the end of FY15 the new model had been rolled out to 405 stores; 339 receiving a full rollout and 66 receiving a smaller-scale option.

The stores with full rollout received a dedicated repair work station, complete with a parts washer and all of the necessary tools and equipment to do anything from a basic puncture to a complex service or repair job. In the majority of stores the work stations are in the back-of-shop space, improving efficiency and productivity by taking the work away from the shop floor. These stores also receive a dedicated Gear 3 level technician, each of whom have had intensive cycle repair training.

"We have now upgraded our cycle repair capability in over 400 stores"

STRATEGIC DELIVERY

3-GEARS PROGRAMME

Two years ago we launched '3-Gears', a qualification programme that trains and rewards colleagues for gaining expertise. The three Gears represent the different stages of qualification:

GEAR 1 – Gear 1 applies to all colleagues and is completed over their first three-month period with Halfords. We use structured e-learning modules that cover retail skills, product knowledge and customer service. The outcome is that all store colleagues will be qualified to serve customers.

GEAR 2 – Gear 2 involves a nine-month training programme which leads to an expert level of product knowledge, with a specialism in either Auto & Leisure or Cycling. Tuition is both through e-learning and face-to-face training programmes. There are regular refresher courses for Gear 2 colleagues and a pay award for those who attain this level.

GEAR 3 – Gear 3 colleagues are our Gurus. They are product experts who are qualified to train others. They keep their skills and knowledge current and market leading - through workshops, attending product and trade shows and by linking with and visiting suppliers. Our Gurus also receive leadership development and a pay award.

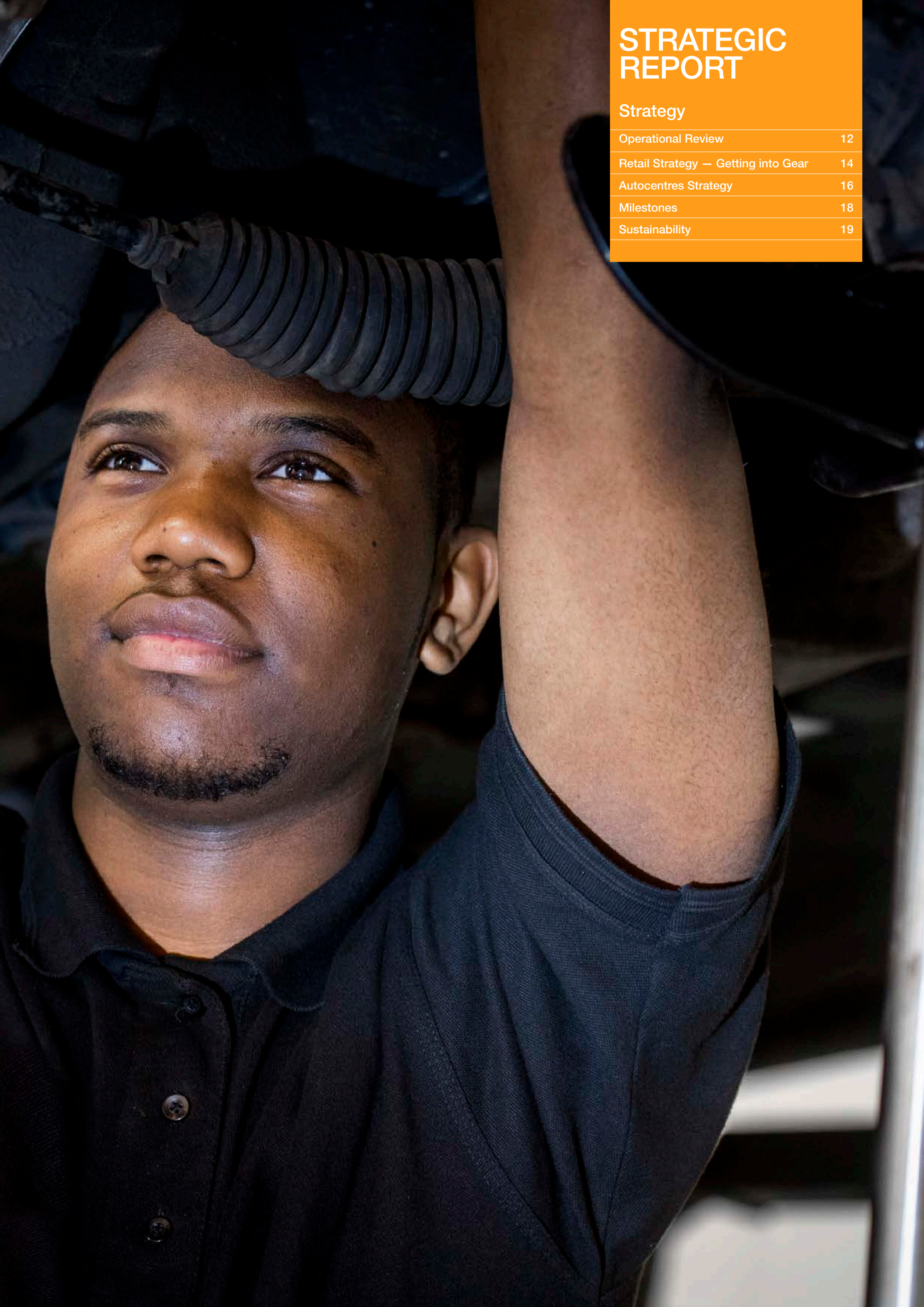
By the end of FY15 46% of our colleagues had qualified for Gear 2 and we had over 300 Gear 3 level colleagues. We anticipate around 80% of colleagues being Gear 2 qualified by the end of FY16, along with two Gear 3 Gurus in most stores.

We are already seeing the benefits of the investment in training. Firstly, we have more multi-skilled colleagues. Rather than having one fitter per store, we have many colleagues capable of replacing bulbs, wiper blades or batteries, or child car seats, enabling us to meet demand. Secondly, we are already seeing an uplift in sales metrics, with average transaction value, number of items per basket and average gross profit per basket all up several percent. Finally, the Net Promoter Score has improved significantly, with a final quarter result of 77% compared to 55% two years ago.

+22%

NET PROMOTER SCORE

FY13: 55% FY15: 77%



STRATEGIC REPORT

Strategy

OPERATIONAL REVIEW

"This was another year of strong Retail performance, driven by our actions to improve the product and service offer. The results illustrate how we're beginning to build a significantly enhanced Retail customer experience."

A YEAR OF STRATEGIC PROGRESS, STRONG SALES GROWTH AND IMPROVED PROFITABILITY.

Total Group Revenue

Divisional Sales %

- Retail 85.4%
- Autocentres 14.6%

Retail Categories %

- Cycling 34.4%
- Car Maintenance 32.2%
- Car Enhancement 21.6%
- Travel Solutions 11.8%

The repositioning of Halfords Retail to offer an enhanced customer experience is now well under way, with significant steps taken during the year.

This has resulted in a strong sales performance, particularly in Cycling and Car Maintenance, as well as further improvements in customer feedback scores. Under new leadership, Autocentres has a clear strategy centred on building trust, and the early signs are encouraging, including an improved sales performance through the year. There is plenty more to do and FY16 will be the busiest year of investment activity under our Getting Into Gear Retail plan.

All reference to FY15 performance in this review is in respect of the proforma 52 weeks to 27 March 2015, unless otherwise stated.

SUMMARY OF GROUP RESULTS

Sales of £1,004.9m were up 6.9%, with like-for-like ("LFL") revenue growth of 6.8%. Group gross margin fell by 40 basis points to 53.2%. Total operating costs rose by 5.7% primarily as a result of the strong sales volumes, the logistics transition and investments made in key areas of the business. Investment in the expansion of Autocentres continued as the business added nine centres (with seven closures, making a net addition of two) and in Retail we opened four *Cycle Republic* shops.

Group earnings before non-recurring items, finance costs, depreciation and amortisation ("EBITDA") were up 8.7% to £109.9m. Group earnings before finance costs, tax and non-recurring items ("EBIT") were £84.6m, which compares with £77.8m in the prior year. Profit before tax and non-recurring items was £81.1m and earnings per share before non-recurring items were 32.7p, up 11.4% and 13.8% respectively.

The cash flow performance was robust with increased operating cash flows more than offsetting the impact of our capital expenditure programme and the *Boardman Bikes* acquisition. Group inventory levels were reduced marginally, despite the addition of *Boardman Bikes* and continued strong Retail sales growth. Net debt at the end of the year was down £37.8m at £61.8m, with a non-lease-adjusted net debt: EBITDA (52 week) ratio of 0.6:1 versus 1.0:1 in the prior year.

The Board has recommended a final dividend of 11.0 pence per share (FY14: 9.1 pence) which, if approved, would take the full-year dividend to 16.5 pence per share. If approved, the final dividend will be paid on 28 August 2015 to shareholders on the register at the close of business on 7 August 2015. The Board continues to look to maintain a c.2x dividend cover over the medium-term, growing full-year dividends broadly in line with earnings per share growth. Based on the proposed final dividend, the ratio of interim and final dividend payments has moved in line with the target of c.30:70.

OPERATIONAL REVIEW: RETAIL

Halfords Retail produced another year of strong sales performance with sales up 6.8% to £857.9m. LFL growth of 7.0% and online growth of 14.3% reflected the improvements made in the range of products and brands available, customer-centric offers, colleague engagement, and training. Weather conditions were favourable for Cycling during the summer and for Car Maintenance during the fourth quarter but the main driver of the better performance has been the actions taken by management and colleagues. Cycling was the highest growth category with sales up 11.4% and continues to be the largest element of Retail sales. However, FY15's performance was more broad-based with Car Maintenance sales up 8.5% and Travel Solutions sales increasing by 5.4%.

Within Cycling, all elements were in growth. Premium Bikes was the standout performer with LFL growth of 24.9%, following growth of 29.9% in the previous year. Children's Bikes sales were also strong with 13.3% growth, particularly driven by older children's bikes, with sales up 40.5% due to an enhanced range and a successful "Does

Anything Beat a Bike?" Christmas marketing campaign. Representing approximately one half of premium-cycle sales, Cycle-To-Work revenues grew by 15.4%. Sales of Parts, Accessories and Clothing ("PACs") grew by 8%, which was lower than we would have liked; it remains an opportunity that we are well-positioned and determined to take. Shortly after the end of the year we launched a range of *Boardman* clothing. Cycle Repair sales were up 17.8% with second-half sales up 27.3%, helped by the roll-out of the new operating model, which is now in over 400 stores.

The strong performance of Car Maintenance products and services was primarily driven by Parts and Workshop. The sale and fitting of bulbs, wiper blades and batteries ("3Bs") again represented the largest single element of the category and the fitting of these parts grew by 13.6%. Just before Christmas the number of 3B fitting jobs exceeded 100,000 in a single week for the first time and the week between Christmas and New Year saw the highest ever sales of both batteries and blades, helped by the 3-Gears training programme, which means we have more multi-skilled colleagues in our stores. Workshop sales were aided by the very successful Halfords Advanced 200-piece socket set, complete with lifetime guarantee.

Car Enhancement LFL revenues decreased by 0.5%. Sat Nav and Audio sales continued to reflect structurally declining markets, but Car Cleaning revenues grew by 12.6%, boosted by new gifting ranges and a focus on brands of choice.

Travel Solutions LFL revenues increased by 5.4%, driven by Travel Equipment, due to strong product and promotion offers, and Child Car Seats, with the investment in training resulting in a significant increase in the number of our accredited car seat fitters.

Online Retail revenues grew by 14.3% and represented 12.2% of total Retail sales (FY14: 11.3%). The growth was aided by the continual developments and enhancements being made to the online proposition, as well as an increased extended range, with customers now able to access around 160,000 products online. The importance of our store network and service overlay is highlighted by the strength of Click & Collect, with over 90% of orders picked up in store.

Total in-store service income increased to £26.7m, with the majority of revenues flowing from 3Bs fitting and Cycle Repair.

OPERATIONAL REVIEW: AUTOCENTRES

Total Autocentres revenues were up 7.6% and, on an LFL basis, up 5.3%, improving during the year from 4.3% in the first quarter to 6.6% in the final quarter. Gross margin reduced by 109 basis points in the year due to the tyre sales mix. Core Service, MOT and Repair margins were marginally up in the year. Operating costs increased by 6.7%, with the vast majority of the increase coming from new centres opened in recent years and the balance due to pay rises, enhanced training and investments in supporting functions. EBITDA increased marginally to £7.6m.

Nine new Autocentres were opened and seven were closed, taking the total number of Autocentres locations to 305 at the end of the year. 10-15 new centres will be opened in the year ahead and sub-optimal centres will continue to be closed as a matter of course.

HALFORDS BUSINESS REVIEW

RETAIL

Halfords' mission is to Help and Inspire Customers With Their Life on the Move within the following categories: Supporting Drivers of Every Car, Inspiring Cyclists of Every Age and Equipping Families for their Leisure Time.

Equipping Families for their Leisure Time gives the flexibility to extend the range, introduce innovative products and leverage space. However, the vast majority of management's focus is currently on Supporting Drivers of Every Car and Inspiring Cyclists of Every Age as these markets are significant and, with strong execution, management anticipates sustainable opportunities for growth.

The Retail strategy, Getting Into Gear, is based on the following five elements designed to significantly enhance the customer experience:

1. **Service Revolution** — up-skilling colleagues' capability to bring about a step change in customer service
2. **The 'H' Factor** — reasserting the business' proposition authority to Support Drivers of Every Car, Inspire Cyclists of Every Age and Equip Families for Their Leisure Time
3. **Stores Fit to Shop** — investing to raise the Halfords store estate to a standard the business is proud of
4. **21st Century Infrastructure** — providing systems and infrastructure to support increasing service and sales levels
5. **Click with the Digital Future** — creating a service-led, modern digital proposition

On pages 14 and 15 we have set out our progress on these five priorities.

AUTOCENTRES

A refreshed Autocentres strategy was launched in the year under new leadership, with a focus on building trust with our customers. Trust in the automotive service and repair sector is key to attracting and retaining customers. Investment during the year was focused on new centre openings, including a new concept trial in Croydon, and technology, including the latest diagnostic equipment to keep Autocentres at the forefront of capability and also a mobile-optimised website with online booking capability. The plan also includes closer working with the Retail stores. During the year Autocentres started using Halfords batteries and oil in its centres and running a consistent Halfords 5-point winter checks campaign in stores and centres. Trust Pilot is used as a measure of monitoring the service improvements and as of May 2015 this had increased significantly to around 8.5 out of 10. The early signs are encouraging but there remains much to be done.

COMMUNITY ENGAGEMENT

We continue to take steps to increase our community engagement and have set out our progress in a number of case studies throughout this annual report. See pages 5, 9, 17 and 36.

CURRENT ACTIVITY

The year ahead will be a busy one, both for product developments and further progress under the strategic plans in Retail and Autocentres.

In Retail there will be new bike ranges, including *VooDoo* in June, a children's range in the autumn and *Boardman* in the fourth quarter, as well as filling gaps within ranges, including the introduction of several premium women's bikes. During the year, we will also re-lay our cycling departments, at the same time rationalising the range and refreshing the merchandising. Cycling department colleagues will receive a face-to-face training course throughout the summer, aimed at further equipping colleagues with the capability to sell customers the right bike and the right accessories. Within Auto, there will also be new product launches, including tool sets, in-car connectivity solutions and an extended range of in-car dash cams. Merchandising enhancements, including a wider roll-out of electronic vehicle registration look up screens and enhanced 3B displays, making product selection simpler, will also be implemented.

Also within Retail is the launch of a marketplace initiative online. This enables Halfords customers to access thousands of additional Auto and Cycling products through *Halfords.com*. These products are delivered direct from the vendor to the customer, without Halfords needing to hold the inventory.

In Autocentres we remain committed to new centre openings, with 10-15 planned for the year, along with the commencement of a roll-out across the wider estate of the low-cost but high-impact learnings from the Croydon concept centre trial. In addition, productivity, utilisation and customer retention are focus areas.

And the best until last: on behalf of the Board I would like to thank all colleagues for their fantastic contribution, support and commitment to the further progress and strong performance made in Halfords this year. It has been a pleasure to work with you over the past year. I would also like to welcome Jill McDonald, our new CEO, and we all look forward to working with her in the years ahead.

Dennis Millard
Chairman
4 June 2015

RETAIL STRATEGY
GETTING INTO GEAR

SUMMARY OF OUR FIVE RETAIL STRATEGIC PRIORITIES AS WE ENTER THE THIRD YEAR OF OUR PLAN.

Our 5-point retail priorities support sustainable long-term growth

"Halfords' mission is to help and inspire customers with their life on the move by: Supporting Drivers of Every Car; Inspiring Cyclists of Every Age and; Equipping Families for their Leisure Time."

service revolution

Offering a significantly enhanced retail experience for our customers and colleagues is imperative.

In the last two years we have reduced the number of store colleagues by around 1,500, but at the same time increased the average weekly contractual hours worked per colleague from 17 to 25. We also overhauled the recruitment process and launched the 3-Gears training programme. All of these are designed to increase colleague loyalty, engagement and product knowledge and expertise, which in turn leads to improved customer service. This has been evidenced by an uplift in the net promoter score from 55% in the final quarter of FY13 to 77% in FY15. In addition, turnover of colleagues within three months of joining has reduced from over 20% in FY13 to 9% by the end of FY15. Our Retail engagement score has increased from 64% prior to the launch of Getting Into Gear to 81% in April 2015, and Halfords climbed to 18th in the 2015 list of Sunday Times Best Companies To Work For.

Our 3-Gears training programme continued to be rolled out: by the end of FY15 nearly all store colleagues had attained Gear 1 accreditation, 46% had qualified for Gear 2, along with over 300 colleagues at Gear 3 level. On top of the 3-Gears programme we operate management development training programmes, "Aspire" and "Accelerate", which helped us to fill around 60% of store management vacancies internally.

OUTLOOK

By the end of FY16 we aim to have 80% of store colleagues through Gear 2 as well as two Gear 3 colleagues per store. We will also turn our attention to annual as well as three-month colleague turnover.

the 'h' factor

We are ensuring that Halfords has the products and services that our customers want and that they choose us as their number one destination to get them.

In order to do this, our products and services in Auto, Cycling and Leisure are constantly growing and evolving. Within Auto we have launched *Car Parts Direct*, giving customers access to 130,000 car parts that were previously out of reach through Halfords. In Cycling we have launched a new bike brand, *13*, as well as continuously refreshing and updating our ranges, including a new junior range within *Boardman* and relaunching our *Carrera* brand. The acquisition of Boardman Bikes in June 2014 gives us the opportunity to leverage the brand, as evidenced by the recent launch of a *Boardman* clothing range.

Another key part of "H" Factor, is our growing involvement in the wider community, which is explained in more detail later in this review.

OUTLOOK

Looking ahead, we will be introducing new ranges in children's bikes, *VooDoo* and *Boardman*, as well as plugging some range gaps, including the introduction of female bikes in both the *13* and *VooDoo* brands. Our involvement with the women's cycling Breeze partnership will increase and we will teach bike maintenance to even more children in stores and in schools. In Auto we are launching new products, including a number of exclusive branded items, as well as implementing an extended range marketplace, which will further increase the quantity and range of products available to our customers.

stores fit to shop

Our journey to improve the overall Halfords customer experience also requires changes to our physical footprint.

We have been learning as we progress through our refresh programme and we now have a menu of options available to apply to stores, ranging from a simple "space swap" to a full refresh. By the end of the year we had refreshed a total of 72 stores, with positive response from customers and colleagues. 41 stores received a "space swap", which involves optimising space allocation without changing the look and feel of the store, and 405 stores were implanted with the new cycle repair operating model, involving dedicated work stations, new tools and highly-trained mechanics.

Another part of Stores Fit to Shop is *Cycle Republic*, a new cycling-only store format targeted at the areas in which Halfords is under-represented: city centre locations, especially London, and the more premium and enthusiast sectors of the cycling market. By March 2015 we had opened four of these shops.

OUTLOOK

We anticipate refreshing a cumulative total of around 150 stores by the end of FY16. Additionally, the performance of our *Cycle Republic* stores to date has given us the confidence to open around 11 more by April 2016.

21st century infrastructure

Our ability to offer great service and products in-store and online is built upon a solid infrastructure.

At the outset of Getting Into Gear we explained how we needed to invest in our IT infrastructure. The first step was to fix the basics, including an upgrade to our SAP system and a consolidation of data centres. This has provided a secure and stable foundation on which to make further improvements and launch new initiatives, such as an eBay shop. Tablets were rolled out to all stores during the year.

No child went without their bike over Christmas and our website was stable and high customer service levels maintained throughout the Cyber Weekend peak. FY15 was, however, a challenging year for our Warehouse & Distribution function, but we have learned a lot and have a medium-term plan going live in summer 2015 designed to maintain high customer service levels whilst mitigating future cost increases.

OUTLOOK

The year ahead will see improvements to store till hardware as well as a roll-out of electronic vehicle registration lookups. Within logistics, we'll embed our medium-term transport solution and review the optimal long-term options.

click with the digital future

With changing customer shopping habits, online sales are becoming an ever increasing proportion of our total sales, particularly for cycling and technology products.

Since relaunching our website, including a mobile-enabled version in FY14, we have focused on continually upgrading and developing our online proposition. During the year this included the launch of Click & Collect in Ireland, live chat and online number-plate ordering. In November 2014 we launched an eBay shop, opening up a new channel for customers to shop with Halfords, and in March 2015 we refreshed the main website design, improving the customer journey and creating seasonal zones.

Over 90% of our online sales are picked up in store, driving footfall into our shops and enabling us to showcase our service offers and expertise.

Our social media presence has been strengthened, including an in-house digital studio that enables us to keep our YouTube site well stocked with product reviews and "how to" guides. One of our campaigns, the Bike Whisperer, was award-winning during the year.

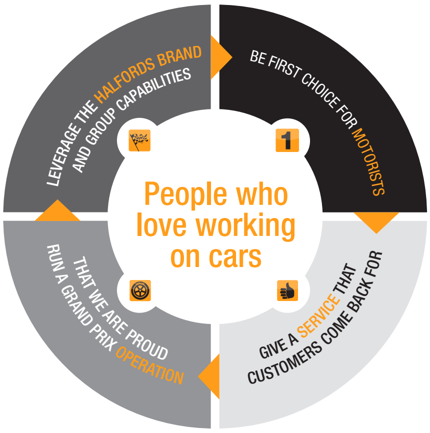
OUTLOOK

In the year ahead we will commence development of a transactional *Cycle Republic* website as well as launching the extended range marketplace. We will also be making Halfords stores available as locations for customers to pick up parcels ordered from other selected retailers, giving us access to a new customer base.

AUTOCENTRES STRATEGY

"We want to build a loyal and satisfied customer base, and this can be achieved through our scale, convenient locations and technical expertise."

BUILDING OUR AUTOCENTRES BRAND IS AN ONGOING PROCESS AS WE LEVERAGE OUR CAPABILITIES AND SCALE TO STRENGTHEN OUR RELATIONSHIPS.



We recognise that with any brand, trust is key to attracting and retaining customers. Our strategy to achieve this is four-pronged, and at the centre are our people.

1 Be first choice for motorists

Making our Autocentres the first choice for motorists across the UK is both the first step and the ultimate aim of our strategy.

We want to build a loyal and satisfied customer base, and this can be achieved through our scale, convenient locations and technical expertise. Offering consistent service and pricing, such as our single price MOT, will help to position Halfords Autocentres as reliable and dependable across the nation. We aim to provide an easy online booking system, including mobile devices.

Give a service that customers come back for

While our convenient locations and consistent pricing can attract new customers, great service is what will keep them coming back. We are creating a culture of customer service among our colleagues, where their skills, knowledge and attitude combine to form great relationships with our customers.

To attract and retain the most passionate and skilled colleagues to our autocentres, we are focused on improving recruitment and engagement. We offer competitive benefits, ongoing technical training and are making improvements to working conditions. To nurture our colleagues' abilities, we are prioritising training and development in line with

that of the Halfords Retail business. Alongside this, our apprenticeship programme is delivering colleagues with the values of quality service already instilled. Around 200 apprentices are on board so far, with more being recruited towards the goal of having one in every centre.

In order to continue learning, we regularly review feedback from our customers. All our colleague incentives are underpinned by customer service measures, giving them an extra level of motivation to deliver exceptional service. We believe great service, delivered by engaged and motivated colleagues, who value customer feedback, guarantees a loyal and satisfied customer base.

Run a Grand Prix operation that we are proud of

Excellent technical service isn't all our customers expect. We want centres we can be proud of, offering customers the consistent experience they expect from the Halfords brand. That means clean and tidy receptions, friendly colleagues willing to help and a great environment to wait for their vehicle. We want our colleagues to do the best job they can and we'll continue to invest in the latest equipment to help them take pride in what they do.

So that we can keep delivering on our goal of building trust, we have struck a balance between expansion and improvement. We have slowed the number of new centres opening in order to improve the quality of existing locations. This year nine new centres were opened, including a new concept centre in Croydon - see more information in the box above right.

Leverage the Halfords brand and Group capabilities

The strength of the Halfords brand and the wider Group capabilities will help to ensure the success of our Autocentres. While Retail and Autocentres are separate parts of our Group, their capabilities are clearly linked, and cross-selling our services is a key part of our strategy going forwards.

Offers in common across both Autocentres and Retail will be based on our knowledge of each customer base, and will encourage customers of each to become customers of both. These incentives, along with the ability to push our Retail products in our Autocentres, can improve the performance of the Group as a whole. In the last year we introduced Halfords branded batteries and lubricants to all Autocentres.

STRATEGIC DELIVERY

CROYDON CONCEPT CENTRE

In October 2014 Halfords opened a concept Autocentre in Croydon. The theme of building trust is central to the proposition, with large viewing windows onto the workshop area, as well as TV screens showing technicians undertaking work on customers' vehicles and orange customer service pods, where colleagues can talk to customers in an open and relaxed setting. The overall environment has been made attractive to customers, with a bright, colourful reception area equipped with comfortable seating, refreshments and free wifi.

The customer and colleague response has been excellent and the key elements of the concept will be applied to new centre openings going forward. There will also be a light touch rollout of the lower-cost, high-impact aspects to the existing portfolio of centres over the course of the next three years.

SUSTAINABLE BUSINESS

AUTOCENTRES APPRENTICES

The Autocentres apprentice program has been running for over 20 years, with more and more apprentices being taken on each year. There are currently around 200 apprentices in the business and 100 new places have been made available for the year ahead, which will be a record intake. The aim is to have at least one apprentice in every centre by 2018.

The program is spread over three years and consists of blocks of 2-week residential courses. By the end of the programme the apprentices receive a total of 22 weeks of learning and qualify to NVQ level 3.

There is a graduation ceremony every year; the most recent of which saw 36 apprentices graduate. We are extremely proud that the 2014 Apprentice of the Year has progressed to the World Skills Final and is in a team competing to represent the UK at the finals in Brazil later this year.

halfords

MILESTONES

Milestones: colleagues

	FY15 Target	FY15 Achieved	FY16 Target
3-Gears	c. 50% Gear 2 qualified	✔	c. 80% Gear 2 qualified and two Gear 3 colleagues in most stores
Reduce % of colleagues leaving within three months	< 12%	✔	maintain FY15 levels
Colleague engagement	not applicable	not applicable	>85%

Milestones: operational

	FY15 Target	FY15 Achieved	FY16 Target
Autocentres opened	10 – 15	9	10 – 15
Annual Part, Accessories and Clothing (PAC) sales growth	20%	8%	20%
Cycle repair sales growth	25%	18%	25%
Improved cycle departments	180	✔	already complete
Stores in a refreshed format	c. 50	✔	c. 75

Milestones: customers

	FY15 Target	FY15 Achieved	FY16 Target
Retailer net promoter score	>75%	✔	maintain FY15 levels
Stores working stock outside peak trading hours	majority of stores	no longer applicable*	no longer applicable*

* Since the introduction of more frequent deliveries this is no longer relevant.

SUSTAINABILITY

MEASURES OF THE IMPACT OF OUR OPERATIONS

We recognise that our business can have a direct, as well as indirect, effect on the environment. We are committed to understanding any impact that our products, stores, Autocentres, support centre and delivery fleet have on the environment. The data presented below allows us to monitor our impact and manage it responsibly, making improvements wherever feasible. A great deal has been achieved already, such as the 90% increase in battery recycling and 40% increase in tyre recycling within our Autocentre business and, like other businesses, we will be undertaking a comprehensive assessment pursuant to the Energy Savings Opportunity Scheme in the forthcoming year, which we hope will identify further opportunities for us to continue to mitigate our impact on the environment. During the year we increased the frequency of deliveries to our Retail stores in response to an ongoing shift in product mix towards bulkier items, changing customer service needs and expectations, and rising online sales. This, combined with high growth in the volume delivered, increased the number of deliveries and litres of fuel consumed by our transport operation in the year. One of the benefits from a more frequent delivery schedule is a reduction, over time, in the number of deliveries by third party couriers, which will help to offset the increased fuel consumption within our own transport operations. As part of the 50:39 store refresh programme we have implemented improved store lighting, and customer facing live displays such as TV screens and VRNs, which help to improve the customer's in store experience and the look and feel of a Halfords store. This has resulted in electricity usage increasing year on year in those re-developed stores

The following table provides measures for the impact of our operations in the financial year. The mandatory data required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is included here. Data for all material emissions that are within our operational control and therefore our responsibility are included.

	2015	2014
Distribution Centre Transport		
Kilometres Driven Total[1]	**9.5m**	7m
Litres Fuel	**2.6m**	1.9m
Number of Retail Deliveries	**90.5k**	30.2k
Volume Delivered	**830.8k BFE[2]**	689.5k BFE[2]
Efficiency : BFE[2] per Load	**46.5 BFE[2]**	52.6 BFE[2]
Distribution Centre Operations		
Units Despatched	**71.0m**	69.5m
Units Received	**69.0m**	68.0m
Bikes Despatched	**1.3m**	1.2m
Bikes Received	**1.3m**	1.5m
E-Fulfilment Orders	**724k**	350k
E-Fulfilment Units Despatched	**884k**	580k
Warehouse Pallet Moves	**336.7k**	467.3k
Distance Travelled, Internal MHE[3] to the Distribution Centres	**600k miles**	600k miles
Recycling		
Distribution Centre Driven Recycling Revenues (cardboard, plastic)	**c.£300k**	c.£300k
Tonnes of Car Batteries Recycled by Retail	**2,825 (equivalent to 183,000 batteries)**	2,017 (equivalent to 134,000 batteries)
Car Batteries Recycled by Autocentres	**9,306**	4,897
Tyres Recycled by Autocentres	**450,413**	321,445
Oil Recycled by Autocentres	**1,066,600 litres**	950,568 litres
% of Autocentres Waste Recycled	**87**	84
Water Consumption		
Retail Water Consumption	**70,414 m^3**	71,485.02 m^3
Autocentres Water Consumption	**46,795 m^3**	42,277 m^3
Global Greenhouse Gas Emissions[4]	**tCO_2E**	tCO_2E
Retail Combustion of Gas	**6,636.51**	7,190.31
Autocentres Combustion of Gas	**2,219.90**	3,092.46
Cars on Company Business[5]	**871.78**	850.52
Retail Directly Purchased Electricity	**28,630.46**	23,117.81
Autocentres Directly Purchased Electricity	**4,197.51**	3,124.54
TOTAL	**42,556.16**	37,375.64
Company's Chosen Intensity Measurement: tCO_2E per £1m Group Revenue	**41.50[6]**	39.77

1. This represents the kilometres driven by transport under our direct control and does not include kilometres driven by third-party courier firms. During the year we commenced more frequent deliveries to our Retail stores. This increases the kilometres driven by our own delivery fleet, but reduces the number of courier deliveries.
2. Bulk Flow (picking cage) Equivalent
3. Mechanical Handling Equipment
4. Carbon Trust Conversion Factors Energy and Carbon Conversions 2013 update
5. An estimate based on previous usage, taking as a basis the Average Petrol Car and Diesel Car Carbon Trust Conversion Factors Energy and Carbon Conversions 2013 update.
6. Based on 53 week period.

STRATEGIC DELIVERY

CYCLE REPUBLIC

Cycle Republic is a new, cycling-only store format, focused on city centre locations, where Halfords has a low market share. *Cycle Republic* aims to offer award-winning bikes at unrivalled value and best-in-class servicing and repair, served by colleagues for whom cycling is more than just a hobby; it's their way of life!

Bikes are priced from £200 to £6,000, principally comprising Halfords' own, exclusive brands such as Boardman, 13, Pendleton and Carrera, and complemented with brands such as Pinarello, Cinelli, Raleigh, Kona and Mongoose. There is a much larger parts, accessories and clothing offer than in a Halfords Retail store, with over 1,000 additional products stocked in a *Cycle Republic* shop. Central to the proposition is the cycle repair offer. Each of the *Cycle Republic* stores is equipped with new tools, a parts washer and several repair stations, along with multiple highly-trained mechanics.

In December 2014 we opened the first *Cycle Republic* shop in Euston Tower, London. By the end of May 2015 there were five shops: three in London, one in Norwich and one in Nottingham. Four of the shops are brand new premises for Halfords and one, Twickenham, is a conversion from a Halfords Retail store. The early signs are encouraging and we anticipate having around 15 *Cycle Republic* shops by the end of FY16.

STRATEGIC REPORT

Performance

SHAREHOLDER
KEY PERFORMANCE INDICATORS

KPI	Definition	Commitment	Performance	Historic Performance
Underlying Profit before tax	Measures the normal underlying performance of the business after removing non-recurring items	The Board considers that this measurement of profitability provides stakeholders with information on trends and performance.	Underlying profit grew by 11.4% year-on-year with the strong sales performance reflected in improved profitability.	2015 £81.1m 2014 £72.8m 2013 £72.0m 2012 £92.2m 2011 £125.6m
Underlying Earnings per Share	Underlying profits as defined above divided by the number of shares in issue	EPS is a measure of our investment thesis and as such we aim to manage revenues and margins and invest in long term growth.	As a result of the increase in underlying profit before tax EPS rose by 13.8%	2015 32.7p 2014 28.8p 2013 27.7p 2012 33.7p 2011 43.2p
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation	The Board considers that this measurement of profitability is a viable alternative to underlying profit and uses this measure to incentivise management.	EBITDA improved by 8.7%, reflecting the improved profitability flowing through from the strong sales growth.	2015 £109.9m 2014 £101.1m 2013 £103.4m 2012 £123.6m 2011 £153.2m
Dividend per Ordinary Share	Cash returned to shareholders as a return on their investment in the Company	To maintain this policy whilst retaining the flexibility to invest when opportunities are identified.	The Board has recommended a final dividend of 11.0 pence per share (FY14: 9.1 pence) taking the full year dividend to 16.5 pence, an increase of 15.4%. The Board will continue to maintain a c.2× dividend cover over the medium term.	2015 16.5p 2014 14.3p 2013 17.1p 2012 22.0p 2011 22.0p
Total Revenues	Total sales revenues from all business activities	The Group is committed to growing sales in all of its core trading activities.	Group revenues were up 6.9% and exceeded our £1bn target a year ahead of plan.	2015 £1,004.9m 2014 £939.7m 2013 £871.3m 2012 £863.1m 2011 £869.7m
Net Debt	Bank debt plus finance leases, less cash and cash equivalents both in-hand and at bank	The Group remains strongly cash generative and continues to invest in the business. The Board is committed to maintaining an efficient balance sheet, returning any surplus capital not required to fund growth to shareholders.	The Group has continued its strong track record of operating cash generation.	2015 £61.8m 2014 £99.6m 2013 £110.6m 2012 £139.2m 2011 £103.2m
Free Cash Flow	Cash generated from activities, less taxation, capital expenditure and net finance costs	The Group has a track record of robust cash generation which the Board intends to continue.	The Free Cash Flow of £66.4m is after the Boardman acquisition and increased capital expenditure as we progress through the Getting Into Gear plan.	2015 £66.4m 2014 £39.5m 2013 £71.8m 2012 £70.4m 2011 £96.4m

RETAIL
KEY PERFORMANCE INDICATORS

KPI & Definition	Commitment	Annual Performance	Historic Performance
Like-for-Like Sales Like-for-like sales represent revenues from stores trading for greater than 365 days and include revenues denominated in foreign currencies translated at constant rates of exchange	We are committed to maximising our like-for-like sales opportunities in whatever economic environments we find ourselves.	Retail sales performance in FY15 was up 7.0% on an LFL basis, with a broad-based performance, although the Cycling category was the standout performer throughout the year with LFL growth of 11.4%.	2015 +7.0% 2014 +7.6% 2013 -0.7% 2012 -2.3% 2011 -5.5%
Gross Margin Percentage Gross Profit expressed as a percentage of Sales	Gross Profit is an important indicator of the Company's financial performance. Within the business we focus on maximising cash generation.	The gross margin declined by 30 basis points, predominantly due to the mix impact of higher sales in Cycling, particularly lower-margin Premium Bikes, along with growth in third-party branded products in Cycling parts, accessories and clothing ("PACs") and Car Cleaning.	2015 51.5% 2014 51.8% 2013 53.3% 2012 53.1% 2011 54.5%
Gross Profit Gross Profit expressed as GBPs			2015 £442.0m 2014 £416.2m 2013 £397.0m 2012 £399.8m 2011 £420.0m
Underlying EBITDA Earnings before Interest, Tax, Depreciation and Amortisation	The Board considers this measurement of profitability a viable alternative to underlying profit and uses this measure to incentivise management.	EBITDA was up 8.7% year-on-year, with the strong revenue growth reflected in improved profitability.	2015 £102.4m 2014 £93.6m 2013 £94.6m 2012 £114.6m 2011 £144.9m
In-store Services The stores offer a fitting/repair service when customers purchase replacement products such as car bulbs, windscreen wiper blades and batteries (3Bs)	Expert knowledge, advice and service remain at the heart of the Halfords customer offer, and specifically through fitting. This differentiates and defends the Halfords offer and generates attractive levels of return.	We have invested in our 3-Gears training programme and in payroll and national marketing to fulfil the demand and make more customers aware of our unique offer and we increased the number of jobs to 4.60m.	2015 4.60m 2014 4.46m 2013 3.93m 2012 2.98m 2011 2.54m
In-store Service Income The sales revenue generated from all our fitting and repair services, including the sale of Bike Care Plans	Expert knowledge, advice and service remain at the heart of the Halfords customer offer, and specifically through fitting. This differentiates and defends the Halfords offer and generates attractive levels of return.	The majority of this revenue stream comprises 3B fitting and cycle repair, where sales growth of 14% and 18% respectively helped increase total in-store service income to nearly £27m.	2015 £26.7m 2014 £24.4m 2013 £20.7m 2012 £15.2m 2011 £12.4m
Stores Trading in a Refreshed Format The layout and offering within our stores is important as the two formats of choice (superstore and compact) allow us to reach both large and small catchment areas	We will continue to review the lines available in each of our formats of choice, looking to refresh or refurbish as appropriate as we believe this enhances like-for-like sales growth in these stores.	During the year we continued the store refresh programme, creating modern, engaging and friendly store environments that encourage browsing and interaction with colleagues.	2015 72 2014 27 2013 20 2012 83 2011 26
Underlying Costs (as a % of sales) Operating expenses from the Retail business activities expressed as a percentage of sales	We are committed to an ongoing focus on cost control. This ensures an efficient use of resources and the correct cost base for the prevailing economic conditions.	The slight reduction of 90 basis points has driven a 5.4% increase in operating costs. Costs rose primarily as a result of the investment in store colleagues and refreshes, higher depreciation, and increased distribution costs.	2015 41.9% 2014 42.5% 2013 43.4% 2012 40.8% 2011 38.4%
Online Sales (as a % of Total Revenue) Sales enacted via the web, through Click & Collect and Direct Delivery	The Internet is changing the way our customers shop and provides us with new opportunities to grow our business. In the last few years we have introduced two ways to shop online: Click & Collect and Direct Delivery.	Online sales exceeded £100m for the first time, growing by 14.3% and reflecting an increase in online penetration to 12.2%. A website design refresh was completed in the year, along with numerous other enhancements.	2015 12.2% 2014 11.3% 2013 10.2% 2012 8.9% 2011 9.2%
% of Web Customers Visiting Stores % of online sales using the Click & Collect offer and visiting stores after researching online	Our strategy is to seamlessly integrate *Halfords.com* and our store operations. Our research tells us that our customers like the convenience of buying online but also want to visit our stores for our expert advice and value-adding services.	91% of online sales were collected in-store, providing opportunities for store colleagues to engage with online customers.	2015 91% 2014 91% 2013 88% 2012 86% 2011 85%

AUTOCENTRE
KEY PERFORMANCE INDICATORS

KPI& Definition	Commitment	Annual Performance	Historic Performance
Like-for-Like Sales Like-for-like sales represent revenues from centres trading for more than 12 months	We are committed to maximising our like-for-like sales opportunities in whatever economic environment we find ourselves.	Total revenues were up 7.6%, with like-for-like sales improving from 4.3% in the first quarter to 6.6% in the final quarter to end the year up 5.3%.	2015 +5.3% 2014 -0.1% 2013 +7.0% 2012 +6.1% 2011 -0.6%
Gross Margin Percentage Gross Profit expressed as a percentage of Sales	Gross profit is an important indicator of the Company's financial performance. Within the business we focus on maximising cash generation.	Gross profit was up on the prior year due to the strong sales performance, but margins down down by 109bps due to increased tyre sales mix. The margins on Service, MOT and Repair work improved marginally in the year.	2015 63.3% 2014 64.4% 2013 63.7% 2012 65.9% 2011 66.0%
Gross Profit Gross Profit expressed as actual GBPs			2015 £93.1m 2014 £88.0m 2013 £80.1m 2012 £73.0m 2011 £65.0m
EBITDA Earnings before Interest, Tax, Depreciation and Amortisation	The Board considers that this measurement of profitability is a viable alternative to underlying profit and uses this measure to incentivise managements.	As anticipated, EBITDA was up marginally year-on-year.	2015 £7.6m 2014 £7.5m 2013 £8.8m 2012 £9.0m 2011 £8.3m
Number of Centres The number of Autocentre servicing centres within the UK	Our research on the geography and demographics of the £9bn Car Servicing and Repair market and of our local catchment sizes shows that there is scope for up to 600 autocentres.	We opened 9 new sites in the year, including a new concept centre in Croydon, and closed 7. We expect to open a further 10–15 centres over the next financial year.	2015 305 2014 303 2013 283 2012 260 2011 240
Jobs per Productive per Week ("jpppw") Total jobs undertaken by the Centres divided by the average number of productive technicians and apprentices	We aim to increase sales in existing centres and make use of spare capacity in our technicians. We believe that we can continue to raise jpppw without needing to obtain more fixed-cost labour.	We continue to utilise capacity within our centres with additional Service/ Mechanical/Repair work as well as growing the tyre mix.	2015 18.3 2014 17.2 2013 16.0 2012 14.7 2011 13.8
Online Bookings The number of service bookings made via *halfordsautocentres.com* against those made direct with the Centres	Enhancing our online offer and further extending our online presence through both *Halfords.com* and *halfordsautocentres.com* is a Group investment priority.	We continue to invest in our online presence with a mobile-optimised site launched in the year, enabling online booking.	2015 321,888 2014 248,465 2013 216,875 2012 199,524 2011 138,954

CHIEF FINANCIAL OFFICER'S REVIEW

FINANCIAL RESULTS

	53 weeks ended 3 April 2015 £m	52 weeks ended 27 March 2015 £m	52 weeks ended 28 March 2014 £m	52 week change
Group Revenue	1,025.4	**1,004.9**	939.7	+6.9%
Group Gross Profit	546.3	**535.1**	504.2	+6.1%
Group EBIT*	87.6	**84.6**	77.8	+8.7%
Group EBITDA**	113.3	**109.9**	101.1	+8.7%
Net Finance Costs	(3.5)	**(3.5)**	(5.0)	-29.5%
Profit Before Tax and non-recurring items	84.1	**81.1**	72.8	+11.4%
Profit Before Tax, after non-recurring items	83.8	**80.8**	72.6	+11.3%
Basic Earnings per Share, before non-recurring items	34.1p	**32.7p**	28.8p	+13.8%

* EBIT denotes earnings before net finance costs, tax and non-recurring items
** EBITDA denotes earnings before net finance costs, tax, depreciation, amortisation and non-recurring items

£81.1m
UNDERLYING GROUP PROFIT BEFORE TAX

+13.8%
UNDERLYING BASIC EARNINGS PER SHARE

+5.3%
AUTOCENTRES LIKE-FOR-LIKE

+7.0%
RETAIL LIKE-FOR-LIKE

The FY15 accounting period represents trading for the 53 weeks to 3 April 2015 ("the financial year"). The comparative period FY14 represents trading for the 52 weeks to 28 March 2014 ("the prior year"). We believe that the proforma 52 week results for FY15 better reflect the underlying performance of the business when compared to FY14. On this basis all commentary included in this report is based on the 52 week period to 27 March 2015 ("the year") unless otherwise stated.

REPORTABLE SEGMENTS

Halfords Group Plc ("the Group" or "Group") operates through two reportable business segments:

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

All references to Group represent the consolidation of the Halfords ("Halfords Retail"/"Retail") and Halfords Autocentres ("Halfords Autocentres"/"Autocentres") trading entities. The Group acquired 100% of the ordinary shares of Boardman Bikes Limited and Boardman International Limited ("*Boardman Bikes*") on 4 June 2014. Since its acquisition *Boardman Bikes* has operated as part of the Retail business segment.

FINANCIAL RESULTS

Group revenue in FY15, at £1,004.9m, was up 6.9% and comprised Retail revenue of £857.9m and Autocentres revenue of £147.0m. This compared to FY14 Group revenue of £939.7m, which comprised Retail revenue of £803.1m and Autocentres revenue of £136.6m. Group gross profit at £535.1m (FY14: £504.2m) represented 53.2% of Group revenue (FY14: 53.7%), reflecting a decrease in the Retail gross margin of 30 basis points ("bps") to 51.5% and a decrease in the Autocentres gross margin of 109 bps to 63.3%.

Total Operating Costs before non-recurring items increased to £450.5m (FY14: £426.4m), of which Retail represented £359.3m (FY14: £341.0m), Autocentres £89.3m (FY14: £83.7m) and unallocated costs £1.9m (FY14: £1.7m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations, namely the acquisition of Nationwide Autocentres Limited in February 2010 and *Boardman Bikes* in June 2014, which arise on consolidation of the Group.

Group EBITDA before non-recurring items increased by 8.7% to £109.9m (FY14: £101.1m), whilst net finance costs were £3.5m (FY14: £5.0m).

Group Profit Before Tax and non-recurring items for the period was up 11.4% at £81.1m (FY14: £72.8m).

Net non-recurring costs of £0.3m (FY14: £0.2m) during the year represented the net effect of: a £0.7m charge in relation to impairment costs to support the Stores Fit to Shop initiative; £0.2m income from the release of the final balance held in relation to the Focus lease guarantee provision; and £0.2m income from the release of an excess onerous lease provision following the finalisation of the exit agreement for the Wembley store. The provisions had all been previously charged as non-recurring items.

Group Profit Before Tax in the period after non-recurring items was £80.8m (FY14: £72.6m).

The 53rd week contributed £20.5m to Group Revenue and £3.0m to Group Profit Before Tax. The week is a significant trading period for the Group, representing pre-Easter in Retail and a key week of the MOT season in Autocentres.

CHIEF FINANCIAL OFFICER'S REVIEW continued

HALFORDS RETAIL

	53 Weeks ended 3 April 2015 £m	52 Weeks ended 27 March 2015 £m	52 Weeks ended 28 March 2014 £m	52 week change
Revenue	875.1	**857.9**	803.1	+6.8%
Gross Profit	451.1	**442.0**	416.2	+6.2%
Gross Margin	51.5%	**51.5%**	51.8%	-30bps
Operating Costs	(365.7)	**(359.3)**	(341.0)	+5.4%
EBIT before non-recurring items	85.4	**82.7**	75.2	+10.0%
Non-recurring income	(0.3)	**(0.3)**	(0.2)	+50.0%
EBIT after non-recurring items	85.1	**82.4**	75.0	+9.9%
EBITDA before non-recurring items	105.4	**102.4**	93.6	+9.4%

Revenue for the Retail business of £857.9m reflected, on a constant-currency basis, a like-for-like ("LFL") sales increase of 7.0%. Non-LFL stores, including three brand new *Cycle Republic* store openings[1], contributed £0.5m revenue in the year and third-party non-LFL sales from Boardman Bikes contributed £2.4m.

Cycling LFL revenues were up 11.4% in the year. Premium Bike sales were up 24.9%, reflecting the strength of our brands and products, but also helped by favourable weather during the summer. An improved range and successful Christmas marketing campaign combined to drive sales of older children's bikes up 40.5% in the year, with Children's Bikes overall up 13.3%. Cycle Repair sales increased by 17.8%, with the level of growth improving through the year as the new operating model was rolled out.

Car Maintenance LFL revenues increased by 8.5%. Parts sales were up 8.2%; the fitting and sale of bulbs, blades and batteries ("3Bs") continued to grow strongly. Workshop sales were up 15.2%, supported by a reinvigorated customer offer, including a new 200-piece tool set and the relaunch of the Lifetime Guarantee on the Halfords Advanced range. Halfords' authority in Auto was further strengthened by the launch of *Car Parts Direct* in the year.

Car Enhancement LFL revenues decreased by 0.5%. Audio and Sat Nav sales continued to be impacted by structurally-declining markets, with sales down 5.4% and 4.0% respectively. This was almost wholly offset by Car Cleaning sales, which were up 12.6% due to an enhanced range, including successful gift packs, and a focus on brands of choice, such as Kärcher.

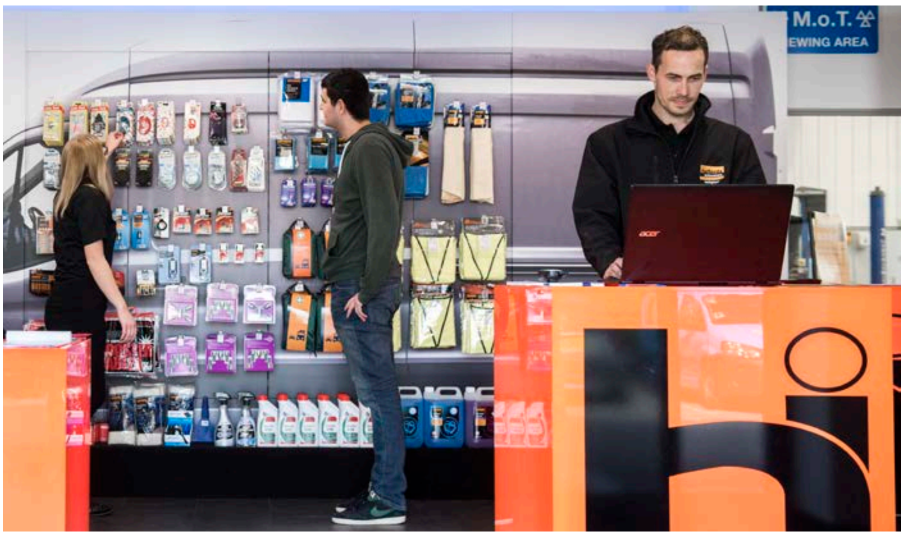
Travel Solutions LFL revenues increased 5.4%, with improved merchandising and more compelling offers, such as bundle deals on roof bars and boxes, driving sales of Travel Equipment and Child Car Seats.

Revenues for the Retail business (including Boardman Bikes) are split by category below:

	FY15 (%)	FY14 (%)
Cycling	**34.4**	32.8
Car Maintenance	**32.2**	31.8
Car Enhancement	**21.6**	23.1
Travel Solutions	**11.8**	12.3
Total	**100.0**	100.0

Gross profit for the Retail business at £442.0m (FY14: £416.2m) represented 51.5% of sales, 30bps down on the prior year (FY14: 51.8%). The reduction in margin was predominantly due to the mix impact of higher sales in Cycling, particularly lower-margin Premium Bikes, along with growth in third-party branded products in Cycling Parts, Accessories and Clothing ("PACs") and Car Cleaning.

Management anticipates a further 25-75 bps decrease in Retail gross margin in FY16, reflecting a continuation of the mix effect and growth in third-party branded products. This decline also factors in an assumption of continued US Dollar strength against Sterling, relative to the prior year.



[1] Of the four *Cycle Republic* shops opened in the year, three were brand new premises and one was a conversion from an existing Halfords Retail store.

Operating Costs before non-recurring items were £359.3m (FY14: £341.0m). The breakdown is set out below:

	52 weeks Ended 27 March 2015 £m	52 weeks Ended 28 March 2014 £m	Change
Store Staffing	**99.7**	92.4	+7.9%
Store Occupancy	**139.3**	139.7	-0.3%
Warehouse & Distribution	**43.5**	33.7	+29.1%
Support Costs	**76.8**	75.2	+2.1%
Total Operating Costs before non-recurring items	**359.3**	341.0	+5.4%

Store Staffing costs increased by 7.9%, principally due to strong trading volumes leading to incremental investment in store hours, along with the uplift in the national minimum wage. The impact of the 3-Gears training programme accelerated through the year as more colleagues progressed through Gear 2 and qualified for wage uplifts.

Store Occupancy costs decreased by 0.3%. Increased depreciation expense and non-capitalisable store refresh costs, "space swaps" and *Cycle Republic* openings were offset by lower net rental charges and other savings, including benefits from re-gears and relocations.

Warehouse & Distribution costs increased by 29.1%. The cube volume handled through the logistics network increased by 18% in the year, reflecting the particularly strong growth in sales of bulky items. In addition, the number of parcels being delivered to stores by courier, rather than by fleet, increased by 39% in the first half of the year. A more-frequent fleet delivery project was launched in October 2014 to mitigate cost increases in future years and reduce inventory. Initially this project comprised the in-housing of the fleet network and a 5-day-a-week delivery schedule. Under new logistics management we are reviewing the optimal long-term transport solution and in the near term are implementing an out-sourced 3-day-a-week delivery programme, which will go live in the summer.

Support Costs rose by 2.1% and include the one-off transaction costs and on-going operating costs associated with Boardman Bikes, which together amounted to £1.1m. Increased depreciation from IT investments and annual pay increases also contributed to the uplift.

Management anticipates an increase in Retail operating costs in FY16 of circa 4 to 5%. This comprises: c.1% depreciation; c.1% pay increases, including the 3-Gears pay increments; c.1% volume-related cost growth, offset by targeted savings and; c.1-2% space growth and store refurbishment costs, the implementation of which is dependent upon continual review and evaluation of payback.

HALFORDS AUTOCENTRES

	53 weeks ended 3 April 2015 £m	52 weeks ended 27 March 2015 £m	52 weeks ended 28 March 2014 £m	52 week change
Revenue	150.3	**147.0**	136.6	+7.6%
Gross Profit	95.2	**93.1**	88.0	+5.8%
Gross Margin	63.4%	**63.3%**	64.4%	-109bps
Operating Costs	(91.1)	**(89.3)**	(83.7)	+6.7%
EBIT	4.1	**3.8**	4.3	-11.6%
EBITDA	7.9	**7.6**	7.5	+1.3%

There were no non-recurring items related to the Autocentres business in either year presented.

Autocentres generated total revenues of £147.0m (FY14: £136.6m), an increase of 7.6% on the prior year with a LFL revenue increase of 5.3%. LFL tyre revenues increased 15.0% and represented 17.5% of total LFL revenues (FY14: 16.0%). Online-booking revenues grew 19.9% in the year and represented 16.3% of sales.

Gross profit at £93.1m (FY14: £88.0m) represented a gross margin of 63.3%; a decline of 109 bps on the prior year, driven by higher mix of lower margin tyres. The gross margin of Service, Maintenance and Repair work marginally improved.

Autocentres' EBITDA of £7.6m was 1.3% higher than FY14 (FY14: £7.5m), with the upside in gross profit being offset by continued cost investments as part of the on-going growth strategy. EBIT was down 11.6% at £3.8m (FY14: £4.3m), reflecting the increased depreciation expense from recent capital investments.

Management anticipates Autocentres' EBITDA to increase by a low double-digit % in FY16.

CHIEF FINANCIAL OFFICER'S REVIEW continued

PORTFOLIO MANAGEMENT

The Retail store portfolio at 3 April 2015 comprised 467 stores (end of FY14: 465). The following table outlines the changes in the Retail store portfolio over the 53 week period:

	Number	Stores
Relocations	6	Penrith, Beckton (from Barking), Nottingham, Workington, Thanet (from Margate) & Dunfermline.
Re-gears	29	Bangor, Barrow, Bristol Eastgate, Bromley, Carlisle, Charlton, Cheadle, Chesterfield, Chippenham, Cirencester, Derby Wyvern, Dunstable, Eastbourne, Ellesmere Port, Godalming, Great Yarmouth, Hertford, Horsham, Newcastle, Newcastle Kingston Park, Northwich, Penzance, Plymouth, Southend, St Austell, Tottenham, Wolverhampton, Worksop & Yeovil
Rightsizes	5	Perth, Northampton, Bedford, Shirley (Solihull) & Southport
Conversions to *Cycle Republic*	1	Twickenham
Openings	3	Euston Tower, Margaret Street & Norwich (all *Cycle Republic*)
Closures	1	Wembley

In addition to the above changes, a 'space swap' was implemented in 41 stores during the year.

Nine new Autocentres were opened and seven (Bedford, Southport, Moseley, Coventry, Telford, Burntwood, Wrexham) were closed in the period, taking the total number of Autocentre locations to 305 as at 3 April 2015 (end of FY14: 303).

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 five to 15 year term at inception and with an average lease length of c.seven years.

Management anticipates opening around 11 *Cycle Republic* stores and 10-15 Autocentres in FY16, as well as closing a small number of sub-optimal centres.

NET NON-RECURRING EXPENSES

The following table outlines the components of the non-recurring expenses recognised in the period:

	FY15 £m	FY14 £m
Asset impairment charges	**(0.7)**	(0.4)
Release of Focus lease-guarantee provision	**0.2**	0.2
Onerous lease provision release	**0.2**	—
Net non-recurring expenses	**(0.3)**	(0.2)

All non-recurring items arose within the 52 week period to 27 March 2015.

As part of the Stores Fit To Shop initiative £0.7m (FY14: £0.4m) of assets from certain stores were impaired in the year.

In FY13 an onerous lease provision of £1.2m was created for two Retail stores, reflecting the challenging property market for vacant properties and the high cost to exit lease agreements. This provision had previously been charged as a non-recurring item. A final exit agreement in relation to the Wembley store was reached in the year, resulting in a provision release of £0.2m.

FINANCE EXPENSE

The net finance expense for the year was £3.5m (FY14: £5.0m). The prior year expense included one-off charges in relation to accelerated amortisation of debt issue costs and the crystallisation of a number of prior period tax computations amounting to £1.0m. Lower drawdowns and favourable interest rates, following the debt facility refinancing in September 2013 and the subsequent amendment and extension agreed in November 2014, also contributed to the reduced charge.

Management anticipates the net finance expense to be around £3.0m in FY16.

TAXATION

The taxation charge on profit for the financial year was £18.0m (FY14: £17.1m), including a £0.1m charge (FY14: £0.1m) in respect of tax on non-recurring items. The full year effective tax rate of 21.5% (FY14: 23.5%) was higher than the UK corporation tax rate (21.0%) principally due to the non-deductibility of depreciation charged on capital expenditure and other permanent differences arising in the year.

Management anticipates an effective tax rate of circa 20% in FY16.

EARNINGS PER SHARE ("EPS")

Basic EPS before non-recurring items, for the 52 week period to 27 March 2015, was 32.7 pence (FY14: 28.8 pence), a 13.8% increase on the prior year. Basic EPS before non-recurring items, for the 53 week period to 3 April 2015, was 34.1 pence (FY14: 28.8 pence), an 18.4% increase on the prior year. Basic EPS after non-recurring items was 32.5 pence (FY14: 28.6 pence) for the 52 week period ending 27 March 2015 and 33.8p for the 53 week period ending 3 April 2015.

DIVIDEND ("DPS")

The Board has recommended a final dividend of 11.0 pence per share (FY14: 9.1 pence), taking the full year dividend to 16.5 pence per share. If approved, the final dividend will be paid on 28 August 2015 to shareholders on the register at the close of business on 7 August 2015.

The interim:final dividend ratio has moved to 33:67 (FY14: 36:64). As previously guided, in order to better match dividend payments with the operating cash flow profile of the business, this ratio will transition to 30:70 over time.

The Board continues to target broadly 2x dividend cover (EPS/DPS).

CAPITAL EXPENDITURE

Capital investment in the 53 week period totalled £37.5m (FY14: £30.4m) comprising £30.7m in Retail and £6.8m in Autocentres. Consistent with prior years, management has adopted a prudent approach with regard to capital investment and focused on investments generating material returns in line with the Getting Into Gear Retail strategy and the recently launched Autocentres strategy.

Within Retail, £18.5m (FY14: £13.9m) was invested in stores, including 45 store refreshes, 11 of which were also store relocations or right-sizes, as well as general capital spend relating to roofing, flooring and security. By the end of FY15, 72 stores were trading in a refreshed format in line with the Stores Fit To Shop initiative. Retail also launched the *Cycle Republic* brand, converting one existing store and opening three dedicated stores in the year. Additional investments in Retail infrastructure included an £8.7m investment in IT systems, such as continual development of the online Retail proposition, the new parts database trading as *Car Parts Direct*, the launch of a Halfords eBay shop, the relocation of data centres and a significant upgrade of the core SAP operating system.

The £6.8m (FY14: £6.0m) investment in Autocentres comprised the opening of nine centres in the year (FY14: 23) along with a substantial investment in upgraded Autocentre diagnostic equipment. We are trialling a new concept Autocentre, which opened in Croydon in October 2014, and elements of this will begin to be rolled out during FY16.

On a cash basis, total capital expenditure in the 53 week period was £39.6m (FY14: £26.7m).

Management continues to anticipate a capital investment of around £100m in Retail and £20m in Autocentres in the three-year period ending FY16, which indicates c.£45m and c.£8m respectively in FY16.

INVENTORIES

Group inventory held as at 3 April 2015 was £149.3m (FY14: £150.2m). Retail inventory decreased to £147.8m (FY14: £148.8m) and includes £1.1m held by Boardman Bikes. Autocentres' inventory was £1.5m (FY14: £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.

CASH FLOW AND BORROWINGS

Cash generated from operating activities in both the 53 week and 52-week periods was £142.2m (FY14: £67.5m). After taxation, capital expenditure and net finance costs, free cash flow of £66.4m (FY14: £39.5m) was generated in both the 53 week and 52 week periods; with the increased capital investment and the acquisition of Boardman Bikes being offset by improved EBITDA and working capital improvements.

As at both 27 March 2015 and 3 April 2015, Group net debt was £61.8m (FY14: £99.6m), with the non-lease-adjusted 12-month net debt: EBITDA ratio at 0.6:1.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report & 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 note 20 of the Annual Report & Accounts.

These include:

- Economic risk
- Business strategy risks
- Competitive risks
- Compliance
- Changing customer preferences
- Reliance on foreign manufacturers
- Product and service quality
- Information technology systems and infrastructure
- Dependence on key management personnel

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.

Andrew Findlay
Chief Financial Officer
4 June 2015

STRATEGIC DELIVERY

STRENGTHENING AUTHORITY IN KEY CATEGORIES

One of the key focus areas under the Getting Into Gear strategy has been to build and maintain leading positions in our core sectors of Auto and Cycling. We have taken a number of steps forward in the year including the launch of *Car Parts Direct*; the introduction of new products within Technology and Car Enhancement, including Go Pro and dash cams; the launch of our own new premium bikes brand, 13; the acquisition of Boardman Bikes and the launch of *Cycle Republic*.

We have provided more detail below on two of the initiatives:

CAR PARTS DIRECT

Launched in the first half of the year, *Car Parts Direct* provides our customers with access to over 130,000 car parts that can be ordered in-store or online with next working day delivery or better – the majority of in-store orders are delivered within 90 minutes. The breadth and depth of parts available means that *Car Parts Direct* can be used by garage trade customers as well as capable DIY repairers, hobby mechanics and fans of specific vehicle marques.

ACQUISITION OF BOARDMAN BIKES

In June 2014 Halfords acquired the Boardman Bikes business for £14 million. Boardman bikes have been ridden by multiple Olympic and world champions and the brand is one of the fastest-growing and most successful in UK cycling. Our investment in the business demonstrates our growing position as a specialist cycling retailer. Since acquisition, we have worked together to launch a range of Boardman clothing and look forward to developing the bike and accessories ranges further.

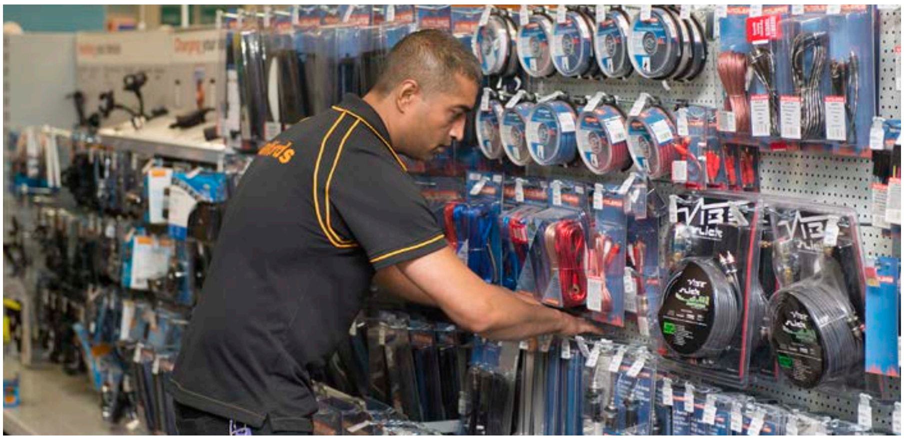
STRATEGIC REPORT

Risk

RISKS AND UNCERTAINTIES

700,000
NEW DRIVERS EACH YEAR

#1
UK CYCLE RETAILER



Like all businesses, our Group faces risks and uncertainties that could impact the achievement of the Group's strategy. These risks are accepted as being a part of doing business. The Board recognises that the nature and scope of these risks can change and so regularly reviews them as well as the systems and processes to mitigate them.

The Corporate Governance report on pages 42 to 49 describes the systems and internal control processes through which the Directors identify, assess, manage and mitigate risks.

Senior management colleagues assess risks on a department-by-department basis using a variety of techniques to identify risk. The likelihood and impact of these risks are considered and scored against a recognised framework dependent upon their effect on the achievement of our corporate strategies. Responsibility for taking the necessary actions to manage risk is delegated to appropriate colleagues in the business, with executive manager sponsor involvement. The risk register is monitored and updated with current and ongoing mitigation on a regular basis.

Mindful of corporate strategy, executive management and the Board consider the risks reported within the risk register and review and monitor new risks and all mitigating actions to ensure that the Group's appetite for risk is not exceeded. The Board recognises that each of its strategic pillars (i.e. Supporting Drivers of Every Car, Inspiring Cyclists of Every Age, and Equipping Families for their Leisure Time) could be compromised by any of the risks set out below. Individual Getting Into Gear initiatives are reliant on some of the mitigations identified. For example Service Revolution delivery is reliant on full utilisation of our online training system and on our ability to attract and retain good colleagues. Stores Fit to Shop is reliant on our continuing investment in modernisation of our stores.

The Group has discussed its risk register with its insurance broker and ensures that it has cover to help to mitigate significant risks where practicable and cost-effective.

Specific financial risks (e.g. liquidity, foreign currency) are detailed in note 20 to the Annual Report and Accounts on pages 99 to 102.

Key Risks and Uncertainties	Mitigation
Economic, Environmental and Political	
The economy is a major influence on consumer spending. Trends in employment, inflation, taxation, consumer debt levels, weather and interest rates impact consumer expenditure in discretionary areas. Changes in Government policies (e.g. Cycle to Work) may also affect our customers' ability to benefit from our products and services.	The Group mitigates these risks by maintaining a focus on the "defensive" characteristics of its "needs driven" product groups. A firm focus is maintained on cost control. Targeted promotions and excellent service are designed to attract and retain customers. We ensure that marketing and merchandising can be revised quickly to react to weather conditions. We also ensure that we have representation with Governmental decision-makers in the areas supporting our core categories.
Business Strategy	
The aim of the Group's business strategy is to deliver long-term value to our shareholders. The Board understands that if the strategy and vision are inappropriately formulated, communicated, or executed then the business will suffer. The Autocentres and *Cycle Republic* businesses could fail to meet growth expectations.	The Group has its established "three pillars" strategy. A retail three-year plan (Getting Into Gear) is being executed. Strategic issues, including the three-year plan, are regularly reviewed at Board meetings. Regular assessment is made to ensure that strategy remains appropriate, and that the business is making progress in meeting its strategic objectives. KPIs relating to strategy have been communicated clearly, both within the business and to the market. These KPIs are regularly discussed by the Board. Our budget process recognises the importance of strategic initiatives. Autocentres and *Cycle Republic* have dedicated, experienced management teams supported by appropriate infrastructure and allocated resources. The performances of both businesses are closely monitored by the Board.
Competition	
The retail industry is highly competitive and dynamic. The Group competes with a wide variety of retailers of varying sizes and faces competition from UK retailers, in both stores and online, as well as international operators. The car servicing market is a service-based market with a number of different-sized providers where trust is extremely important to customers. Failure to compete with competitors on areas including price, product range, quality, service and trustworthiness could have an adverse effect on the Group's financial results.	The Board is aware of the risks faced from UK retailers both in-store and online, and from the national car-servicing networks and smaller independents. We have a significant investment programme to support Getting Into Gear. The investment programme is allowing us to improve the service we provide to customers by improving the quality of our stores, IT infrastructure, training and website (including optimisation for mobile and tablet devices). Excellent service is fundamental to differentiating ourselves from our competitors. The national geographical coverage of our stores underpins our *Click & Collect*' offering. Our ***we****fit* service is a key differentiator. Our Cycle Repair and extended Parts, Accessories and Clothing range offer confirm our credibility within the Cycling market. The Group seeks to continually strengthen its "own-brand" retail offer and develop opportunities to differentiate the Halfords brand, including TV, radio, press and social media advertising. Our Autocentres business continually seeks to provide innovative solutions for their customers, such as '*brakes4life*'.

RISKS AND UNCERTAINTIES continued

Key Risks and Uncertainties	Mitigation
Compliance	
The Group operates in an environment governed by legislation and codes in areas including, but not limited to, listing rules, trading standards, advertising, product quality, health and safety, hazardous substances, bribery act and data protection. The Group recognises that failure to comply with ethical standards could expose the business to reputational risk and loss of goodwill.	Regulatory requirements are closely monitored by our Company Secretarial team which includes colleagues with relevant professional qualifications and experience. The Group has Quality Assurance and Compliance teams working in both the Retail and Autocentres businesses. Specialist Health and Safety teams ensure that the Group has adequate policies and risk assessments. Retail margin erosions are minimised by a dedicated profit protection team. Colleagues and management are trained to identify and handle in-store regulatory issues using Gears training modules on our online Learning Management System. We have a whistleblowing hotline that allows colleagues to raise concerns in confidence. We operate a Code of Conduct that clearly sets out our expectations of suppliers. We have a corporate delegated authorities framework (How We Do Business) setting out key authorisation levels. Anti-Bribery and Corruption training has been delivered through face-to-face and online training sessions. The Group has a dedicated investor relations team which ensures that there is frequent and appropriate communication with investors and the wider financial community. The Group has a dedicated corporate social responsibility resource, which calls upon cross-functional support as required. The Group has a comprehensive record of community engagement through events such as children's bike workshops, and support of the Re-Cycle charity
Supply Chain Disruption	
Halfords sources a significant proportion of the merchandise it sells in its stores from outside of the UK, either directly or via third-party suppliers. Consequently, the Group is subject to the risks associated with international trade (particularly those which are common in the import of goods from developing countries) including, but not limited to, inflation, currency fluctuation, the imposition of taxes or other charges on imports, the exposure to different legal standards, the burden of complying with a variety of foreign laws and changing foreign government policies and natural disasters. The Group could also be impacted in the event of disruption to domestic logistic arrangements; for example, unavailability of distribution centres or road transport problems.	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. 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.

Key Risks and Uncertainties	Mitigation
Product and Service Quality and Brand Reputation	
The Board recognises that the quality and safety of both our products and services in our stores and autocentres are of critical importance and that any major failure will affect consumer confidence and our reputation. Failure to protect the Group's reputation and brand could lead to a loss of trust and confidence. This could result in a decline in the customer base and affect the ability to recruit and retain good people. There is also the risk that our service proposition fails due to inconsistent levels of service at individual stores and individual centres.	The Group constantly seeks to enhance its position as the store or centre of first choice in each of the markets that it serves. Our Gears training programme uses online modules to ensure that colleagues are consistently knowledgeable about our products and able to deliver quality services to customers. This online training is reinforced by face-to-face learning and assessments. Stores use an accreditation matrix to ensure that all building and fitting is undertaken by competent colleagues. Product knowledge among colleagues is promoted through specialist conferences for selected staff (e.g. BikeHut managers). We have also implemented measures to ensure that we attract and retain the best colleagues: engagement surveys aim to identify opportunities to reduce colleague turnover; we have again been recognised as one of the Sunday Times "25 Best Big Companies to Work For"; our recruitment processes are now centralised to improve efficiency and consistency. 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. Our autocentres utilise a comprehensive quality assurance process with checks by centre managers. Technicians are regularly checked to ensure quality of workmanship, and the priority status allocated to individual jobs is reviewed to ensure safety and prevent overselling. There is a dedicated Operations Quality team. We utilise mystery shoppers.
Information Technology ("IT") Systems and Infrastructure	
In common with most businesses, Halfords is dependent on the reliability and suitability of a number of important IT systems where any sustained performance problems (including those caused by cyber attack) could potentially compromise our operational capability for a period of time impacting on stores, centres or warehouse, multi-channel and distribution systems. With ambitious growth plans for our multi-channel offer, our trading capacity could be affected by internal and external systems' resilience and interdependencies. Commercial data could be lost or stolen through cyber attack, sabotage, or other security breaches.	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 a number of disaster recovery arrangements including a comprehensive backup strategy, and a hotlink secure data centre hosted in a different location. IT recovery processes are tested regularly. We have successfully completed an upgrade of our core SAP system. We have recently thoroughly reviewed our IT security processes and risk assessments and recruited a number of specialists to the IT team, including dedicated IT security and continuity experts. We utilise appropriate firewalls, physical and logical system access controls. We have undertaken network penetration testing.
Dependence on Key Management Personnel	
The success of the Group's business depends upon its senior management closely supervising all aspects of its business, in particular, the operation of the stores and autocentres, including the appropriate training of in-store and centre colleagues, and the design, procurement and allocation of merchandise.	Our remuneration policy outlined on page 58 details the strategies in place to ensure that high calibre executives are attracted and retained. The Group looks to improve its senior manager cadre through operating a talent management process to help individuals achieve their full potential within Halfords and to ensure that appropriate succession plans are in place to meet the future needs of the business. At a junior level, the Group continues to invest in graduate programmes and store and centre colleague training and development.

SUSTAINABLE BUSINESS

CYCLE EVENT SUPPORT

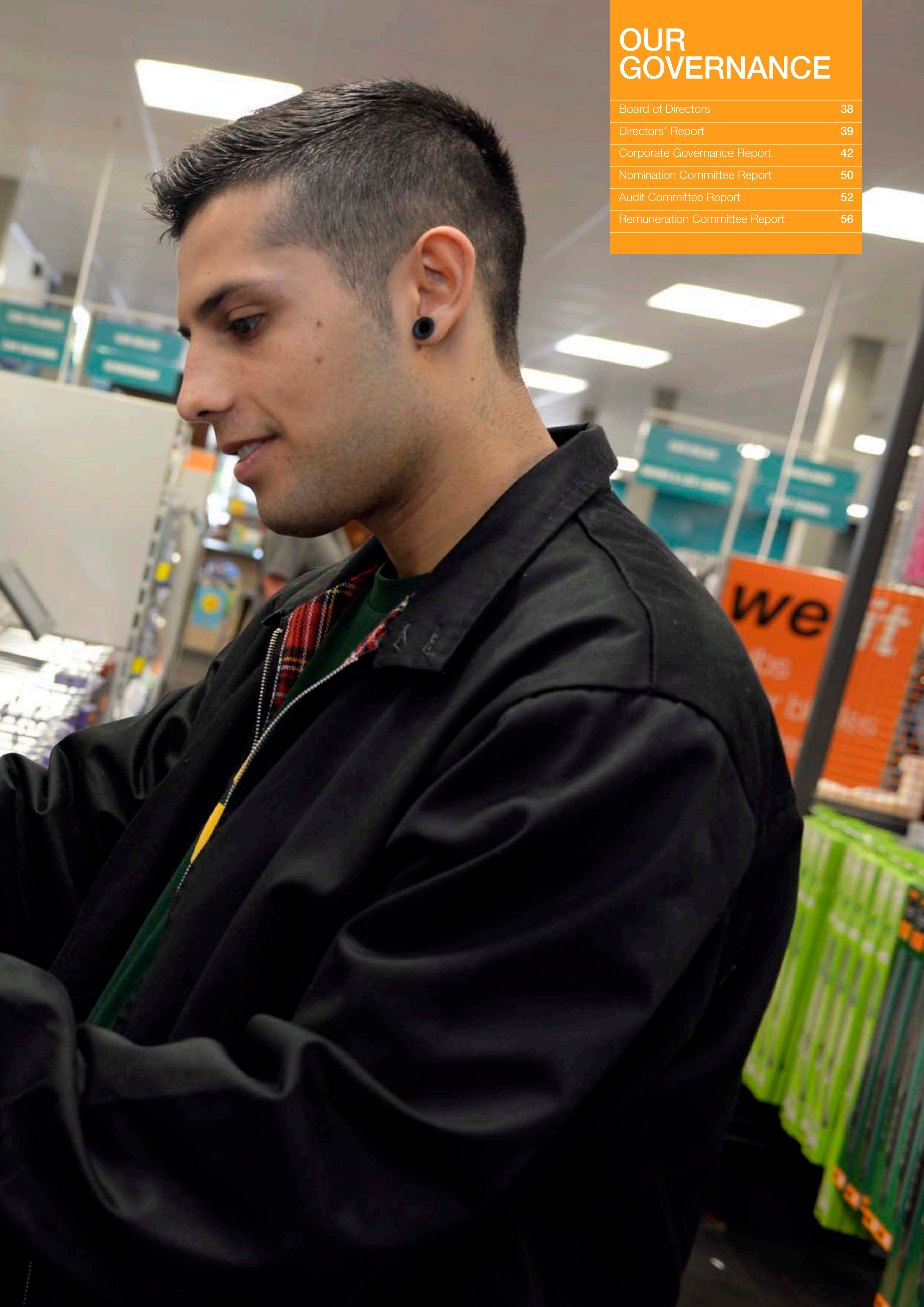
Halfords has also again been confirmed as the Official Mechanics Partner for the 2015 Sky Ride Big Bike series, spanning 15 events nationwide and supporting over 100,000 cyclists this summer. These free one-day events offer cyclists of all ages and abilities the chance to ride their bike on traffic-free streets or on cycle paths and parks in the heart of towns and cities across Britain. Halfords cycle mechanics will be a key part of the day, keeping cyclists on the move by assisting with essential adjustments, cabling and tube replacements. In addition to the Sky Rides Halfords will also be providing mechanical support at many more events including Mitie London Revolution, Deloitte Ride Across Britain, and Women V Cancer Ride The Night.

SUSTAINABLE BUSINESS

SCHOOL DONATIONS

In November 2014, Halfords announced a new scheme to donate cycling equipment to primary schools in disadvantaged areas. In its first year, the new scheme will donate children's bikes and new bike helmets to schools in the eight cycling cities of Manchester, Leeds, Birmingham, Newcastle, Bristol, Cambridge, Oxford and Norwich. Schools are invited to apply at www.halfordscompany.com/responsibility/community .The bikes are collected from the trade-in events held at Halfords stores and reconditioned by trainees at the Cycle Repair Academy in Onley Prison.

OUR GOVERNANCE



BOARD OF DIRECTORS

DENNIS MILLARD
Chairman

N R

Dennis has been Chairman of the Group since 28 May 2009. His former appointments include Chief Financial Officer of Cookson Group plc, Finance Director of Medeva plc and Premier Farnell plc.

He has broad commercial and financial experience in the retail, service, distribution and manufacturing sectors in the UK and internationally. Dennis is a member of the South African Institute of Chartered Accountants and holds an MBA from the University of Cape Town.

He is also Non-Executive Deputy Chairman and Senior Independent Director of Pets at Home Group Plc and holds the roles of Senior Independent Director and Chairman of the Remuneration Committee at Debenhams plc.

JILL McDONALD
Group Chief Executive

N

Jill was previously CEO, UK & President, North West Division, Europe for McDonald's Corporation. Her responsibilities at McDonald's encompassed around 3,300 owned and franchised restaurants across seven countries, more than 500 franchisees and over 200,000 colleagues. Jill began her career in 1987 at Colgate Palmolive and joined British Airways in 1990, where she worked for 16 years.

She brings outstanding business leadership, particularly with regard to customer service and colleague engagement in a consumer facing business. She is a Non-Executive Director for Intercontinental Hotels Group plc.

ANDREW FINDLAY
Chief Financial Officer

Prior to his appointment, Andrew was Director of Finance, Tax and Treasury at Marks and Spencer Group plc. Prior to this, he held senior finance roles at the London Stock Exchange and at Cable and Wireless, both in the UK and US. Andrew qualified as a chartered accountant with Coopers & Lybrand.

Andrew has a track record in retail and other competitive, consumer and business facing industries. Andrew has experience of: operational and commercial finance; refinancing and pension scheme funding; bid defence; non-merchandise procurement; shared services; financial accounting, tax and audit.

DAVID ADAMS
Senior Independent Director

A N R

David was Finance Director and Deputy Chief Executive of House of Fraser plc until 2006, then Executive Chairman of Jessops plc, becoming Non-Executive Chairman in 2007. In addition, he has held several Executive and Non-Executive roles in over 25 years in retailing including 10 years as a plc Finance Director.

David is currently Chairman of Conviviality Retail plc, Ecovision Ltd, Park Cameras Ltd and Walk the Walk (a breast cancer charity) and is Senior Independent Non-Executive Director and Chair of the Audit Committee at Hornby plc and Non-Executive Director and Chairman of the Audit Committee at Fevertree Drinks plc.

CLAUDIA ARNEY
Independent Non-Executive Director

A N R

Claudia was previously the Group Managing Director, Digital at EMAP until late 2010. Prior to this she was Director of the Enterprise and Growth Unit at HM Treasury. She has also worked as an Executive Director at Goldman Sachs, FT.Com and Mckinsey, and was Managing Director of TheStreet.co.uk. Claudia brings extensive experience of strategy formulation and business development.

Claudia is Chairman of Public Data Group, Deputy Chairman of Telecity Group PLC, and a Non-Executive Director of Derwent London Plc and the Premier League. She is also a member of the Advisory Board of the Shareholder Executive.

HELEN JONES
Independent Non-Executive Director

A N R

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

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

KEY TO COMMITTEE MEMBERSHIP

N Nomination Committee A Audit Committee R Remuneration Committee

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 3 April 2015.

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

SUMMARY OF GENERAL DISCLOSURES (INCORPORATED INTO THIS DIRECTORS' REPORT)

The following information required to be disclosed in this Directors' Report has been provided by the Company:

Disclosure	Page
The financial position of the Group, its cash flows, liquidity position and borrowing facilities within the Chief Financial Officer's Report.	25 to 29
The Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk within Note 20 to the Group Financial Statements.	99
The Statement of Compliance with the UK Corporate Governance Code and description of the Group's corporate governance framework within the Corporate Governance Report.	40 to 49
A summary of how the Company recognises its responsibility to its colleagues, customers, environment, and community through various initiatives (case studies being on pages 5; 9; 10; 17 and 36) and within the Sustainability Report.	19
The Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements.	71
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DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Group are: the retailing of automotive, leisure and cycling products from retail stores and car servicing and repair from Autocentres. The principal activity of the Company is that of a holding Company. The Company's registrar is Capita Asset Services, which is situated at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

PROFITS & DIVIDENDS

The Group's results for the year are set out in the Consolidated Income Statement on page 77. The profit before tax on ordinary activities was £83.8m (2014: £72.6m) and the profit after tax amounted to £65.8m (2014: £55.5m). The Board proposes that a final dividend of 11.0 pence per ordinary share be paid on 28 August 2015 to shareholders whose names are on the register of members at the close of business on 7 August 2015. This payment, together with the interim dividend of 5.5 pence per ordinary share paid on 23 January 2015, makes a total for the year of 16.5 pence per ordinary share. The total final dividend payable to shareholders for the year is estimated to be £21.4m.

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

PERFORMANCE MONITORING

The delivery of the Group's strategic objectives is monitored by the Board through KPIs and periodic review of various aspects of the Group's operations. The Group considers that the KPIs listed on pages 22 to 24 are appropriate measures for the delivery of the strategy of the Group via its Retail and Autocentres divisions.

DIRECTORS

The following were Directors of the Company during the period ended 3 April 2015 and, unless otherwise stated, at the date of this Annual Report:

Dennis Millard
Matt Davies (resigned 30 April 2015)
Andrew Findlay
David Adams
Claudia Arney
Helen Jones
Bill Ronald (resigned 31 May 2014)
Keith Harris (resigned 31 May 2014)

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 3 April 2015 will retire and offer themselves for re-election at the 2015 AGM. Jill McDonald, who was appointed on 11 May 2015, will stand for election for the first time.

DIRECTORS' INTERESTS

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.

DIRECTORS' INDEMNITIES

Directors' and Officers' insurance cover 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 have the benefit of a third-party indemnity provision, as defined by section 236 of the Companies Act 2006, the Company's Articles of Association.

AUDITOR

The Company's Auditor is KPMG LLP. A resolution proposing the reappointment of KPMG LLP is expected to be in the notice of the AGM 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 the Directors' Report is approved confirms that:

i. so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

ii. he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

GOING CONCERN

With effect from 14 November 2014 the ultimate holding company, Halfords Group plc, completed an amend and extend of its previously secured four-year £200m revolving credit facility (with an option to extend for a further year). The arrangement now consists of a £170m five-year revolving credit facility, ending in November 2019. At the year end, the Group had undrawn borrowing facilities of £117m (2014: £114m). 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 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, despite the uncertain economic outlook. 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.

COLLEAGUES

The Group strives to meet its business objectives by motivating and encouraging its employees to be responsive to the needs of its customers and continually improve operational performance.

The Group is committed to providing equality of opportunity to employees and potential employees. This applies to recruitment, training, career development and promotion for all employees, regardless of physical ability, gender, sexual orientation, religion, age or ethnic origin. Full and fair consideration is given to employment applications by disabled persons wherever suitable opportunities exist, having regard to their particular aptitudes and abilities. 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 being provided if necessary.

The Group has established a framework of colleague communications, including a monthly magazine, to provide colleagues with information on matters of concern to them and business performance, as well as to encourage the engagement of every colleague in the Board's commitment to high standards of customer care and service provision.

A whistleblowing policy and procedure enables colleagues to report concerns on matters affecting the Group or their employment, without fear of recrimination. In addition, the Group takes a zero-tolerance approach to matters of discrimination, harassment and bullying in all aspects of its business operations, including in relation to gender, race, national origin, disability, age, religion or sexual orientation. Appropriate policies and procedures are in place for reporting and dealing with such matters.

POLITICAL DONATIONS

The Group made no political donations and incurred no political expenditure during the year (FY14: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, although the Board has no intention of using this authority.

SHARE CAPITAL

Details of the Company's share capital, including changes during the year in the issued share capital and details of the rights attaching to the Company's ordinary shares, are set out in Note 21 on page 102. All ordinary shares, including those acquired through Company share schemes and plans, rank equally with no special rights.

All shareholders are entitled to attend and speak at the general meetings of the Company, appoint proxies, receive any dividends, exercise voting rights and transfer shares without restriction. There are no known arrangements that may restrict the transfer of shares or voting rights.

The Company has term and revolving credit facilities that 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 employee 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 employees under such schemes and plans to vest on a takeover.

Rules relating to the appointment or removal of the Directors, and their powers, are contained within the Company's Articles of Association, which in accordance with legislation can only be changed with shareholder approval.

MAJOR SHAREHOLDERS

As at 1 June 2015, the Company's register of substantial shareholdings showed the following interests of 3% or more of the Company's issued ordinary shares.

Holder	Number of shares	% of issued shares
Artemis Investments Management LLP	26,978,462	13.55
J O Hambro Capital Management Limited	10,700,558	5.38
Schroders Plc	8,512,484	4.28
Legal & General Investment Management Limited	7,772,556	3.90
Rathbone Brothers Plc	7,510,079	3.77
Invesco Limited	6,550,590	3.29
Norges Bank Investment Management	6,462,138	3.25
BlackRock Investment Management Limited	6,257,960	3.14

AUTHORITY TO PURCHASE SHARES

At the 2014 AGM, shareholders approved a special resolution authorising the Company to purchase a maximum of 19,906,322 shares, representing less than 10% of the Company's issued share capital at 1June 2014, such authority expiring at the conclusion of the AGM to be held in 2015 or, if earlier, on 30 September 2015.

ANNUAL GENERAL MEETING

The AGM will be held at the Hilton Garden Inn, 1 Brunswick Square, Brindley Place, Birmingham B1 2HW on Thursday 30 July 2015. The notice of the AGM and explanatory notes regarding the special business to be put to the meeting will be set out in a separate circular to shareholders.

By order of the Board

Justin Richards
Group Company Secretary
4 June 2015

halfords

CORPORATE GOVERNANCE REPORT

"Good corporate governance is a key element of our business success."

9,000 CUB SCOUTS TAUGHT BIKE MAINTENANCE

100,000 CYCLISTS SUPPORTED BY HALFORDS' MECHANICS

CHAIRMAN'S INTRODUCTION

My primary role is to lead the Board and ensure that it works effectively and collaboratively to create sustainable, long-term shareholder value.

Good corporate governance is a key element of our business success. The Board is therefore committed to ensuring that high standards of governance, values and behaviours are consistently applied throughout the Group. These elements are critical to business integrity and maintaining investors' trust in Halfords.

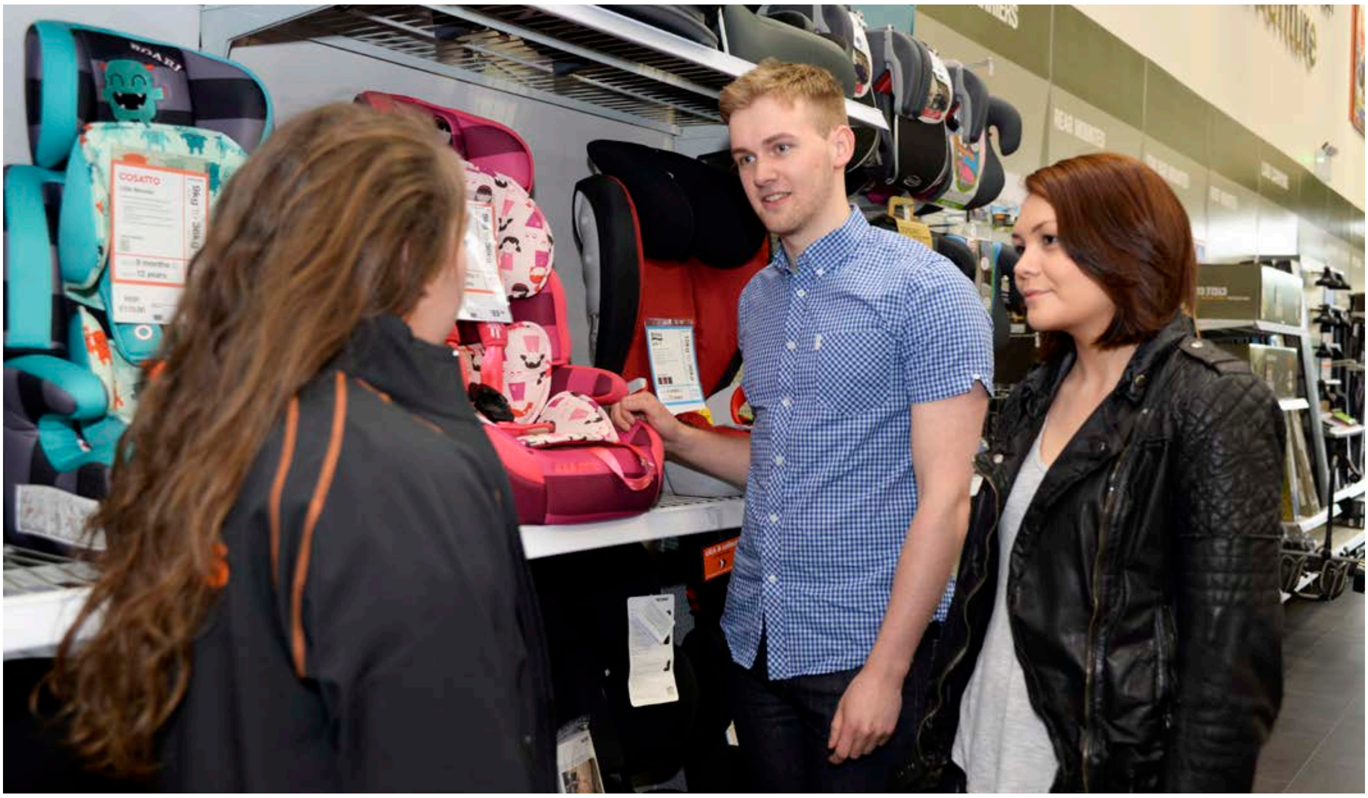
The Board has recently welcomed the new Chief Executive Officer, Jill McDonald, following the resignation of Matt Davies. Jill joined the Company from the McDonald's Corporation, where she was CEO, UK & President, North West Division, Europe. She brings to the Board a wealth of experience from successfully heading a large complex service-led consumer facing business.

The Board very much looks forward to working with her and the Executive Team, providing appropriate guidance and independent thought and challenge for the sustainable delivery of the Group's long term strategy.

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 2012.

I would encourage you to attend this year's AGM and meet me and the Board.

Dennis Millard
Chairman
4 June 2015



STATEMENT OF COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE

Responsibility for good governance lies with the Board. The Board is accountable to shareholders and is committed to the highest standards of corporate governance as set out in the UK Corporate Governance Code 2012 (the "Code"). The Code can be found on the Financial Reporting Council's website at www.frc.org.uk. The Board considers that throughout the period ended 3 April 2015, the Company has complied, without exception, with the provisions of the Code.

This report outlines how the Board has applied the main principles of good governance set out in the Code during the period under review.

LEADERSHIP

BOARD COMPOSITION

The Board 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 6 to 18.

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 definitions of the roles are available at: www.halfordscompany.com/investors/governance/division-of-responsibilities-between-the-chairman-and-chief-executive-officer.

As at the date of this report, the Board of Directors was made up of six members, comprising the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. The composition of the Board is as set out on page 46 and the biographies of individual Directors, including any other business commitments, are available on page 38 and also at www.halfordscompany.com/investors/governance/the-board.

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.

Each of the Non-Executive Directors (excluding the Chairman) is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Chairman was considered independent upon his appointment. The Board considers that each Non-Executive Director brings their own senior level of experience, gained within their field.

THE BOARD

KEY MATTERS RESERVED FOR BOARD APPROVAL

GROUP STRATEGY AND RISK MANAGEMENT

- Approval of the Group's Strategy and Business Plan
- Approval of changes to capital structure
- Approval of any decisions to cease to operate all or any material part of the Group's business.
- Approval of extension of activities into new businesses or geographical areas

FINANCIAL AND INTERNAL CONTROLS

- Oversight of risk management and internal control framework
- Approval of financial statements and results announcements
- Approval of shareholder communications, circulars and Notices of Meetings
- Approval of the Auditor's remuneration and terms of engagement
- Recommendation and declaration of dividends
- Approval of major capital expenditure projects
- Approval of material contracts

BOARD MEMBERSHIP AND COMMITTEES

- Appointment of Directors
- Approval of the fees of the Non-Executive Directors
- Setting of Board Committees' Terms of Reference

CORPORATE GOVERNANCE

- Undertaking formal performance reviews of the Board, Committees and individual Directors
- Determining the independence of Directors
- Receiving reports on Group policies, such as health and safety, risk management strategy, the environment and charitable and political donations

Read more about the remit of each Committee on pages 50 to 70.

See Committee Terms of Reference at www.halfordscompany.com/investors/governance/our-committees

Delegated Authorities

EXECUTIVE DIRECTORS AND SENIOR MANAGMENT

THE BUSINESS

How We Do Business is the internal name of the formal delegated authorities document approved by the Board. It describes how day-to-day decisions are delegated to the Executive Directors, the Senior Management Team and others within the business. Each potential activity is set out by reference from whom approval must be sought and the paperwork required to evidence that approval. Where an activity is not expressly described within How We Do Business, approval must be sought from the Senior Management Team, who will apply the principles of How We Do Business to the decision. The implementation of the document is constantly monitored, with updates proposed to the Board to reflect changing practices or structures. Briefing sessions were held for all relevant Support Centre colleagues upon launch and are refreshed whenever the document is updated.

CORPORATE GOVERNANCE REPORT continued

BOARD RESPONSIBILITIES

The key responsibilities of Board members are set out below:

Role	Main Responsibilities
Chairman of the Board	• Leadership of the Board including its operation and governance • Builds an effective and complementary Board • Sets the agenda, style and tone of Board discussions • Facilitates and encourages active engagement in meetings, promoting effective relationships and open communication • Ensures effective communications with shareholders and other stakeholders
Group Chief Executive	• Develops the Group objectives and strategy for Board approval • Creates and recommends to the Board an annual budget and five year financial plan • Successfully delivers against the financial plan and other objectives and executes the agreed Group strategy • Identifies and executes new business opportunities and potential acquisitions or disposals • Manages the Group's risk in line with the Board approved risk profile
Senior Independent Director	• Supports the Chairman in his role • 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 or as a sounding board for the Chairman if required • Available to other Directors and shareholders with concerns that cannot be addressed through the normal channels
Non-Executive Directors, including the Chairman	• Evaluate and appraise the performance of Executive Directors and Senior Management against agreed targets • Participate in the development of the strategy of the Group • 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 retail stores, Autocentres and distribution centres • Meet together regularly without the Executive Directors present • Formulate Executive Director remuneration and succession planning
Company Secretary	• Works closely with the Chairman, Group CEO and Board Committee Chairmen 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 • Provides advice on Board matters, legal and regulatory issues, corporate governance, Listing Rules compliance and best practice

A formal schedule of matters reserved for the Board is in place and regularly reviewed. This is available at: www.halfordscompany.com/investors/governance/matters-reserved-for-the-board.

To effectively discharge these responsibilities, the Board has additionally implemented a system of delegated authorities, which is described on page 43. 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 Senior Management Team and the wider business.

Matters Reserved for the Board include: Authority; Strategy and Management; Structure and Capital; Investor Relations; Audit, Financial Reporting and Controls; Nominations to the Board; Executive Remuneration and Significant Contracts.

BOARD MEETINGS AND ATTENDANCE

The table opposite shows the attendance of Directors at the meetings of the Board and of the Audit, Nomination and Remuneration Committees during the year ended 3 April 2015. Where a Director did not attend meetings owing to prior commitments or other unavoidable circumstances, he or she provided input to the Chairman so that his or her views were known.

BOARD ATTENDANCE AT SCHEDULED MEETINGS

Board Member	Board Scheduled: 12	Audit Committee Scheduled: 4	Remuneration Committee Scheduled: 8	Nomination Committee Scheduled: 2
Executive Directors				
Matt Davies	10 12	3	4	1 2
Andrew Findlay	12 12	4	n/a	n/a
Non-Executive Directors				
Dennis Millard	12 12	4	8 8	2 2
David Adams	12 12	4 4	8 8	2 2
Claudia Arney	12 12	4 4	8 8	2 2
Helen Jones	12 12	4 4	8 8	2 2
Bill Ronald	1 2	1 1	1 2	n/a
Keith Harris	1 2	1 1	1 2	n/a

Number of meetings available to the individual (grey) · Number of meetings attended by the individual (black) · Number of meetings invited to attend for whole or part of the meeting (orange)

Other members of the Senior Management Team and advisors attended Board meetings by invitation as appropriate throughout the year. The Board also held a two-day Strategy meeting during the period.

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

BOARD COMMITTEES

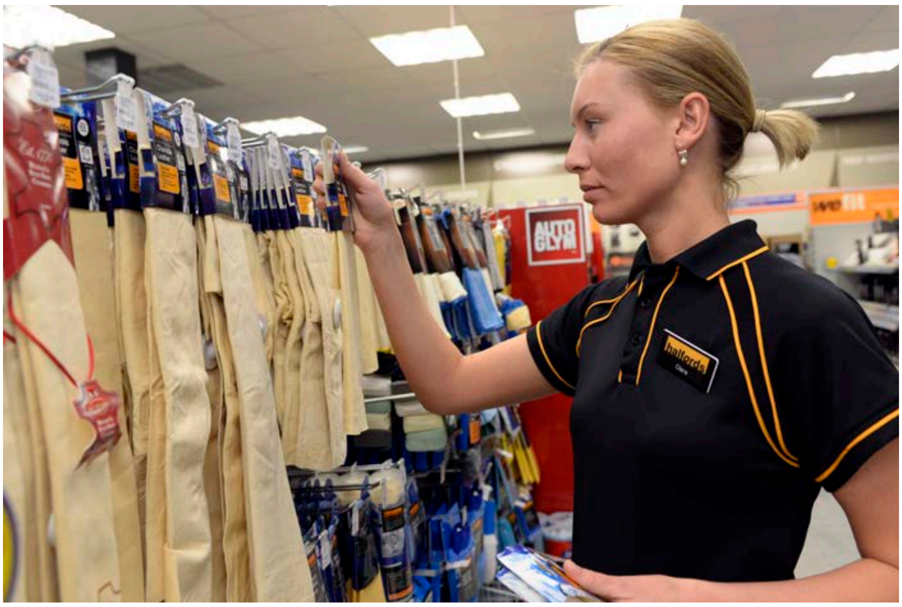
The Board Committees are the Audit Committee, the Nomination Committee and the Remuneration Committee. Specific responsibilities have been delegated to each. Each Committee has its terms of reference approved and regularly reviewed by the Board. The terms of reference for the Committees are available on www.halfordscompany.com/investors/governance. On the following pages each Committee Chairman reports how the Committee he/she chairs discharged its responsibilities in FY15 and the material matters that were considered.

Following each meeting of a Committee, the Committee Chairman reports to the Board. Whilst not entitled to attend, other Directors, professional advisers and members of senior management attend when invited to do so. The Auditor attends Audit Committee meetings by invitation. No person is present at Nomination Committee or Remuneration Committee during discussions pertinent to them. The Company Secretary acts as the secretary to each Committee.

A Disclosure Committee, made up of a minimum of two Directors, approves the final wording of market announcements prior to release. There were five Disclosure Committees during the period.

The day-to-day treasury needs of the Group are managed by the Treasury Committee, chaired by the CFO and whose other members 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 continued

HALFORDS BOARD

The Board is the principal decision-making forum for the Group, setting the strategic direction and ensuring that the Group manages risk effectively. The Board is accountable to shareholders for financial and operational performance.

See page 44 for examples of Matters Reserved for the Board. A complete list is available on the company's website www.halfordscompany.com

NOMINATION COMMITTEE

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

Main Responsibilities
Making appropriate recommendations to maintain the balance of skills and experience of the Board by considering:

- the size, structure and composition of the Board; and
- Senior management succession plans, retirements and appointments of additional and replacement Directors.

More information on diversity in the Group can be found on pages 41 and 51

Read more within the Nomination Committee Report on page 50

AUDIT COMMITTEE

Key Objectives:
To provide effective governance over the Group's financial reporting processes including the internal audit function and external Auditor and to maintain oversight of the Group's systems of internal control 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, the 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 then 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 particularly on compliance with legal requirements, accounting standards and the Listing Rules.

Read more within the Audit Committee Report on page 52

REMUNERATION COMMITTEE

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

Main Responsibilities
The Remunerations Committee's responsibilities include:

- recommending to the Board the total individual remuneration package of Executive Directors and members of the executive management;
- recommending the design of the company 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 recommendation from the CEO; and
- maintaining an active dialogue with institutional investors and shareholder representatives

Read more within the Remuneration Committee Report on page 56

Committee	Chair	Members
Nomination	Dennis Millard	David Adams, Claudia Arney, Helen Jones, Matt Davies[1]
Audit	David Adams	Claudia Arney, Helen Jones
Remuneration	Claudia Arney	David Adams, Dennis Millard, Helen Jones

1. Represents the Committee at the close of period. Since the close of the period, Matt Davies has resigned and Jill McDonald, successor CEO, has replaced him on the Committee.

The Nomination, Audit and Remuneration Committees' full Terms of Reference are available on the Company's website or on request from the Company Secretary

CONCERNS

The Chairman seeks to resolve any concerns raised by the Board, whether raised 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.

EFFECTIVENESS

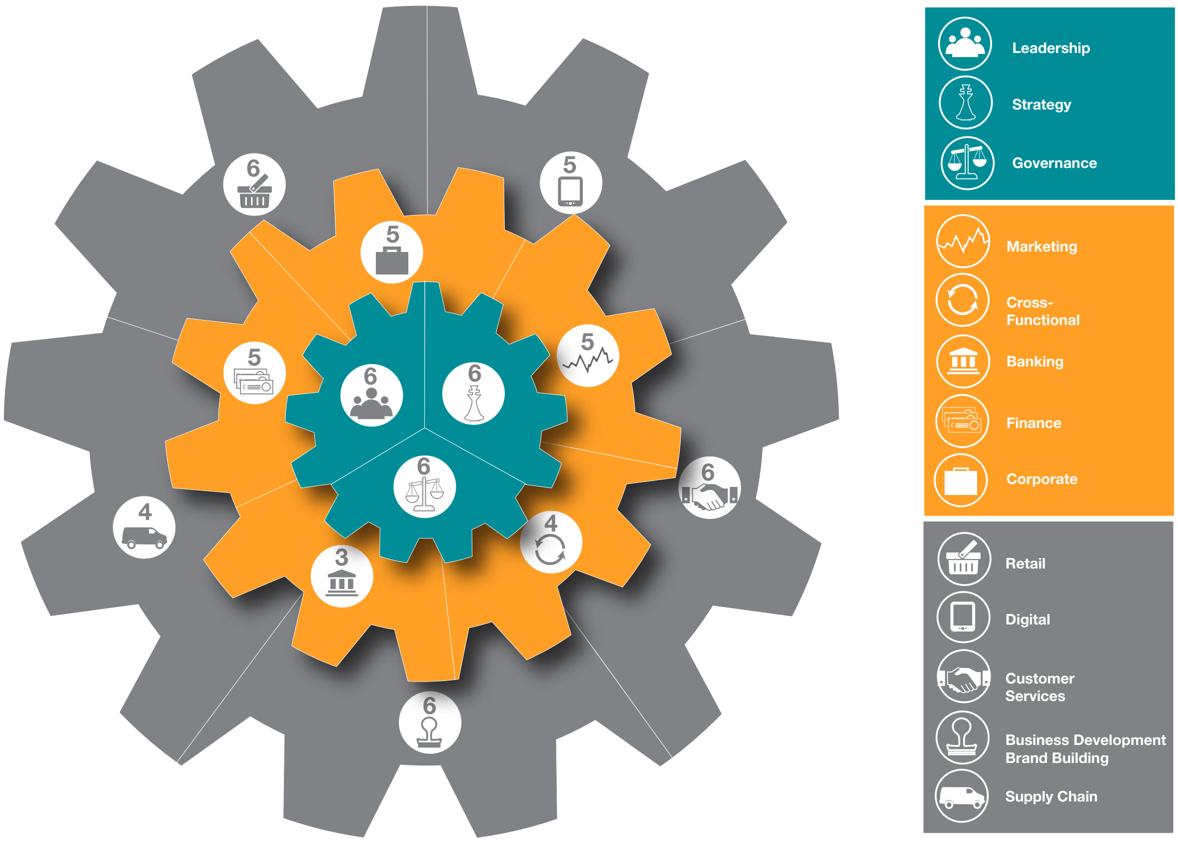
INDEPENDENCE

The Independent Non-Executive Directors bring a wide range of experience and expertise to the Group's affairs and carry significant weight in the Board's decisions. The Independent Non-Executive Directors are encouraged to challenge management and help develop proposals on strategy. In compliance with the requirements of the Code for at least half of the Board, excluding the Chairman, to be independent, the Company confirms that 60% of its Board are independent.

The Board considers David Adams, Claudia Arney and Helen Jones to be independent in character and judgement in accordance with the requirements of the Code. The Chairman, Dennis Millard, was considered independent on his appointment.

SKILLS AND EXPERIENCE OF THE BOARD — MOVING US THROUGH THE GEARS

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



* Individual Directors may fall into one or more categories.

Represents the Board at the close of the period.

CORPORATE GOVERNANCE REPORT continued

Diversity[1]

Balance of Non-Executive Directors: Executive Directors

Male:Female[2]

4:2

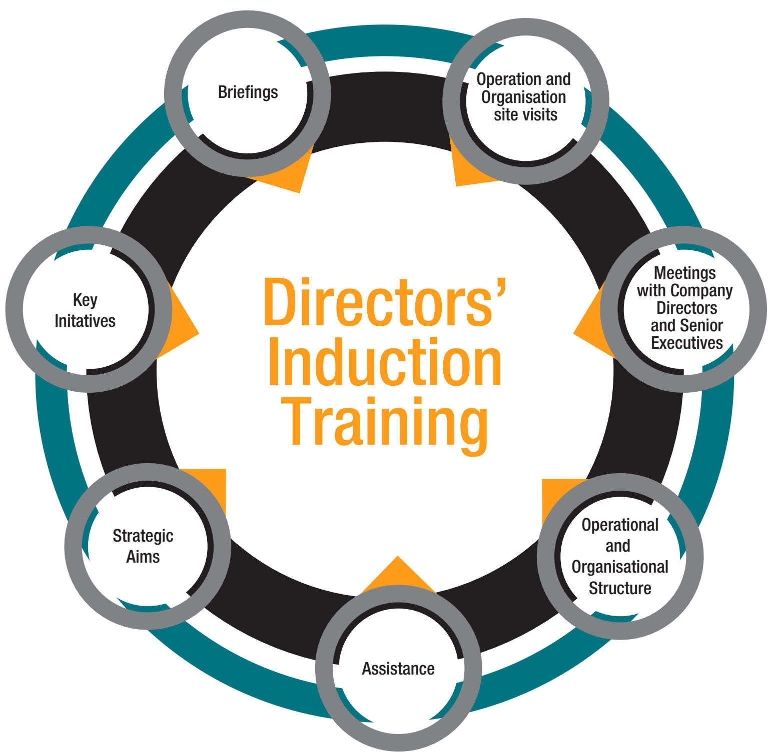
Length of tenure

0-3 years: 2

3-6 years: 4

1. Represents the Board at the close of the period. Bill Ronald and Keith Harris retired during the period on 31 May 2014.
2. Since the close of the period and the date of this report, Matt Davies has resigned as CEO and been superseded by Jill McDonald, making the gender ratio 3:3.

DIRECTORS' INDUCTION TRAINING



DIVERSITY

The Board considers that it is the background and experience brought to the Board by each individual that best secures and demonstrates its diversity. The principle that candidates are considered "on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender" is established in the Terms of Reference of the Nomination Committee.

No fixed quota is applied to decisions regarding recruitment, rather the Nomination Committee considers capability and capacity to commit the necessary time to the role in its recommendations to the Board. The intention is the appointment of the most suitably-qualified candidate to complement and balance the current skills, knowledge and experience on the Board, seeking to appoint those who will be best able to help lead the Company in its long-term strategy. Following Jill McDonald's appointment, 50% of the Board is female, already exceeding the EU's 2020 guideline of 40%.

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.

APPOINTMENTS TO THE BOARD

At the end of April, Matt Davies resigned as the Group Chief Executive Officer after two and a half years on the Board. As reported in the Nomination Committee's report, a thorough search was conducted to identify suitable candidates, both internally and externally to succeed him in this role. Upon the recommendation of the Nomination Committee, Jill McDonald joined the Board on 11 May 2015 as Chief Executive Officer. Jill was formerly CEO, UK & President, North West Division, Europe for McDonald's Corporation. She brings with her significant corporate, operational and brand management experience.

Succession planning is not, however, confined to the Board itself and the Board pays a close interest in identifying and cultivating leaders of the future from within the business.

DIRECTORS' INDUCTION

All new Directors receive an induction tailored to their individual requirements, to include briefings on the activities of the Group and visits to operational sites. They also meet all of the Company's other Directors and Senior Executives. This facilitates their understanding of the Group and the key drivers of the business' performance. Jill McDonald is currently undertaking a full induction programme as prepared by the Chairman, with the assistance of the Company Secretary. Upon joining she was provided with background materials covering the operational and organisational structure of the business, as well as the strategic aims and key initiatives of the Company. Over the coming two months she will hold one-to-one meetings with all members of the Senior Management Team, as well as undertaking extensive Retail store, Autocentre and distribution centre visits, meeting colleagues from across the Group.

TRAINING AND DEVELOPMENT

All current Directors have various opportunities for on-going development and support via:

- A programme of Support Centre, distribution centre, Retail store and Autocentre visits;
- Reviews with the Chairman to identify any training and development needs;
- Advice on governance, relevant 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.

EVALUATION

It is important to regularly review the effectiveness of the Board and its Committees. Despite undertaking an external review in the last period, the Company decided to repeat the exercise, engaging the services of an external facilitator, Lintstock Limited. Owing to changes within the make-up of the Board, the decision was taken to delay slightly, performing the assessment in April 2015.

The assessment considered topics under the headings:

- Board Composition, Expertise & Dynamics;
- Time Management;
- Board Support;
- Board Committees;
- Strategic Oversight;
- Risk Management and Internal Control;
- Succession Planning; and
- Priorities for Change.

Following this review, the Chairman is satisfied that the Board and its Committees are performing effectively and that there is the appropriate balance of skills, experience, independence and knowledge of the Group to enable the Directors to discharge their respective duties and responsibilities effectively. The Board will continue to take proactive steps to address recommended improvements.

The three most significant actions to be taken as a result of the assessment are set out below:

- Following the change of the CEO and forthcoming change of the CFO, the composition of the Board and its Committees and the background and expertise of their members will be reviewed, to ensure that they have the appropriate expertise to deliver the Group's strategy;
- The Board will develop new innovative ways of considering and setting future strategy and direction; and
- The NEDs will meet more frequently, without the Executives, through a series of scheduled formalised meetings.

RE-ELECTION

In compliance with the Code and the Company's Articles of Association, all Directors on the Board as at 4 June 2015, will seek re-election at the Company's AGM. Jill McDonald will seek election for the first time.

DIRECTORS AND THEIR OTHER INTERESTS

Each Director is required to notify 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). None was notified during the period.

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.

Details of the Directors' service contracts, emoluments, the interests of the Directors and their immediate families in the share capital of the Company and options to subscribe for shares in the Company are shown in the Directors' Remuneration Report on pages 56 to 70.

INTERNAL CONTROL AND RISK MANAGEMENT

Overall responsibility for the system of internal control and reviewing its effectiveness rests with the Board. 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 has conducted an annual review of the effectiveness of the systems of internal control during the year, under the auspices of the Audit Committee. The Audit Committee provides the Board with an independent assessment of the Group's financial position, accounting affairs and control systems. In addition, the Board receives regular reports on how specific risks that are assessed as material to the Group are being managed. For further information on the Company's compliance with the Code provisions relating to the Audit Committee and Auditor please refer to pages 52 to 55.

The risk management and internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The Board's policy on internal control is implemented by management through a clearly defined operating structure with lines of responsibility and delegated authority.

An on going process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls has been established by the Board to ensure an acceptable risk/reward profile across the Group. The process has been in place throughout the period ended 3 April 2015, and up to the date of approving the Annual Report and Financial Statements.

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, but the Board has neither identified nor been advised of any failings or weaknesses that it has determined to be material or significant.

The Board considered its appetite for risk in relation to the top 30 risks, determining that the risks and mitigating actions were appropriate to the level of risk that was both acceptable to, and incumbent within, a listed business. More information on the Company's key risks and uncertainties is shown on pages 32 to 35.

RELATIONS WITH SHAREHOLDERS

The Board is committed to effective communications between the Company and its shareholders and, accordingly, has a strong Investor Relations programme that seeks to actively engage with shareholders.

This programme includes formal presentations of full year and interim results. These presentations, along with the Annual Report and Accounts, are the primary means of communication during the year with all of the Company's shareholders. Additionally, the Chairman, the Chief Executive Officer and the Chief Financial Officer have met with analysts and institutional shareholders during the period to keep them informed of significant developments and help maintain a balanced understanding of their issues and concerns. Their views and feedback, as well as market perceptions gathered, are regularly communicated to the Board via a monthly report by the Investor Relations Officer. The Company Secretary also brings to the attention of the Board any material matters of concern raised by the Company's shareholders, including private investors.

The primary method of communication with shareholders is 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 Chairmen of the Remuneration, Nomination and Audit Committees will be present at the AGM 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 AGM. The Chairman will advise shareholders on the proxy voting details at the meeting.

By order of the Board

Justin Richards
Group Company Secretary
4 June 2015

NOMINATION COMMITTEE REPORT

Halfords.com

ALMOST 90 million VISITS

CHAIRMAN'S LETTER

The past year was a significant and busy year for the Committee. In addition to its key responsibility of ensuring that an effective Board and Committees are in place, the Committee oversaw the process for the appointment of the Group's new Chief Executive Officer, Jill McDonald.

I was delighted when Jill agreed to join the Group and take up the role of CEO and I am certain that she will bring new perspective to the Board, based on her professional and personal experience.

Additional information on the activities of the Committee, including the details of the process leading to the appointment of the new CEO and the services provided by Egon Zehnder, executive search agency, are set out in this report.

There were two meetings held during the year and, after each Committee meeting, I reported to the Board on the key issues discussed during the meeting. A number of informal discussions were also held between Committee members and me.

The Committee's terms of reference are available on the Company's corporate website www.halfordscompany.com.

Dennis Millard
Nomination Committee Chairman
4 June 2015

COMMITTEE COMPOSITION

Dennis Millard (Chairman)
Jill McDonald (joined 11 May 2015)
David Adams
Claudia Arney
Helen Jones
Matt Davies (resigned 30 April 2015)
Bill Ronald (resigned 31 May 2014)
Keith Harris (resigned 31 May 2014)

The Committee's role is to review the size and structure of the Board, consider succession planning and make recommendations to the Board on potential candidates for the Board. Its key objective is to ensure that the Board comprises individuals with the necessary skill, knowledge and experience to ensure that the Board is effective in discharging its responsibilities.

PRINCIPAL ACTIVITIES

The Committee's focus during the year was overseeing the process for the appointment of a new CEO, following Matt Davies' resignation. The Committee set out the types of skills and attributes it envisaged a new CEO would possess, which it captured in its briefing to executive search agency, Egon Zehnder, which identified potential candidates for the role. Committee members interviewed candidates for the role and thereafter recommended the recruitment of Jill McDonald to the Board.

DIVERSITY

The Committee and the Board have sought to ensure that appointments are of the best candidates to promote the success of the Group and are based on merit, with due regard for the benefits of diversity on the Board (while also meeting the requirements of the Equality Act 2013). We previously made a commitment to further strengthen gender diversity amongst the workforce and, further to this commitment, the Board appointed Jill McDonald as the Group's new CEO, bringing the percentage of female Board members to 50%. This exceeds the EU's guideline of 40% female Board representation by 2020.

The Company does not currently publish specific diversity targets but in practice, it has created a more balanced Board and Executive Management Team and continues to work to ensure this is replicated across the entire business, in particular in relation to gender diversity.

Further information regarding diversity Board can be found on page 48.

LOOKING AHEAD

In the year ahead, the Nomination Committee will continue to assess the Board composition and how it may be enhanced. It has also embarked upon the search for a replacement for Andrew Findlay, the Chief Financial Officer, who will leave the Company in October 2015.

AUDIT COMMITTEE REPORT

DASH CAM SALES UP 740% IN Q4

FOLDING BIKES UP 26% YEAR-ON-YEAR

CHAIRMAN'S INTRODUCTION

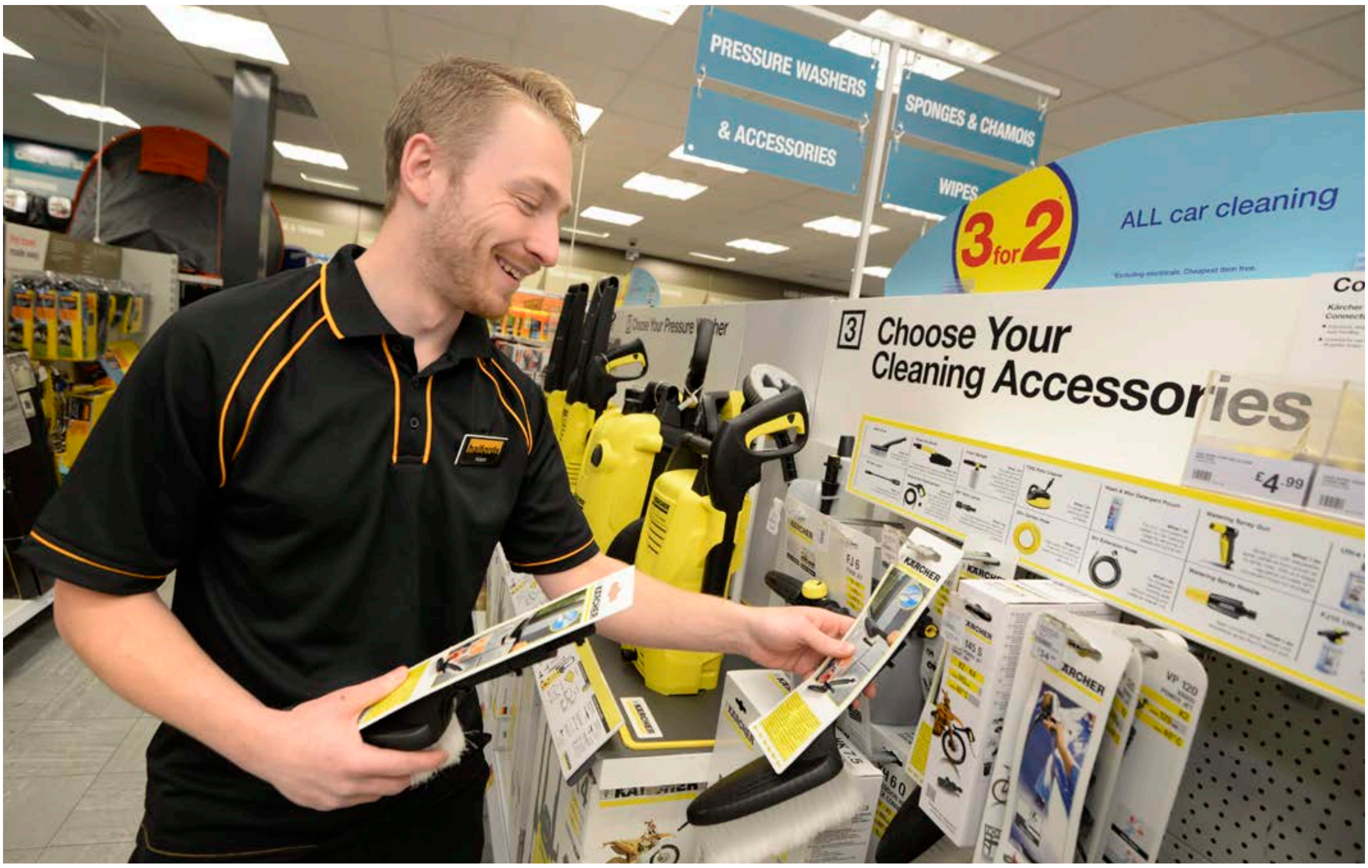
I am pleased to present the report of the Audit Committee for the financial year ended 3 April 2015.

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

We are now entering the third full year of our in-house internal audit programme. The internal audit function and its audit universe-driven review programme have matured well and our risk management processes are embedded within the operations of the business.

Looking to the financial year beginning in April 2015, the business recognises the new requirements being introduced by the new UK Corporate Governance Code (issued September 2014). The Audit Committee has already discussed these new requirements and has a clear plan to address them.

David Adams
Chairman of the Audit Committee
4 June 2015



MEMBERSHIP AND REMIT OF THE AUDIT COMMITTEE

MEMBERSHIP

All of the members of the Audit Committee are independent Non-Executive Directors. Having been the Deputy Chief Executive and Finance Director of House of Fraser Plc, David Adams is considered by the Board to have recent and relevant financial experience and so the requisite experience to chair the Committee. Each of the other independent Non-Executive Directors has, through their other business activities, significant experience in financial matters.

The Chairman, Executive Directors 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 Auditor. There have been three such meetings in the period ended 3 April 2015 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 Code in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the Listing Rules;
- ensuring that an effective system of internal financial and non-financial controls is maintained; and
- approving a formal whistleblowing policy whereby staff 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, and includes arrangements to investigate and respond to any issues raised.

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.

AUDIT COMMITTEE REPORT continued

PRINCIPAL ACTIVITIES DURING THE YEAR

The Audit Committee met four times during the year with the following timetable:

MAY 2014

- Review of Year End Chief Financial Officer's Report
- Recommend the Preliminary Statement to the Board for Approval
- Recommend the Annual Report to the Board for Approval
- Review of External Auditor's Report
- Review Statement of External Auditor's Independence
- Review of Internal Audit Full Year Report
- Review of Group Register of Risks and Controls
- Approval of Internal Audit Charter

OCTOBER 2014

- Review of Half Year Chief Financial Officer's Report
- Recommend the Interim Statement to the Board for Approval
- Review of External Auditor's Half-Year Report
- Review of Internal Audit Progress Report
- Approval of External Auditor Non-Audit Fee Policy
- Review of Committee Terms of Reference

FEBRUARY 2015

- Review of External Auditors Annual Strategy and Fees
- Approval of Amendments to Internal Audit and Risk Management Frameworks in Response to Sep 14 Revision of Corporate Governance Code
- Review of Impact of FRS101

MARCH 2015

- Review of Internal Audit Progress Report and Annual Strategy
- Review of Group Register of Risks and Controls
- Review of Group Whistleblowing Policy

LOOKING AHEAD

For the financial year beginning in April 2015, the Committee plans to further augment its risk management oversight through regular management briefings explaining in detail how selected key areas of business risk are managed. These presentations will be prioritised to reflect emerging external issues, but are likely to feature topics such as cyber security and supply chain safeguarding.

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 that are set out on pages 76 to 112. The Committee's review included consideration of the following key accounting judgements:

IMPAIRMENT OF GOODWILL ASSOCIATED WITH AUTOCENTRES

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 customer, change in market behaviour) and there is therefore a risk that the business may not meet the growth projections necessary to support the carrying value of the intangible asset (see note 10 of the financial statements).

The Audit Committee has received detailed reports from Halfords' finance team and external Auditor addressing this issue. Consideration has been given to ensuring that cash flow models, discount rates, sensitivity analysis and centre profitability are all reasonable. The Committee concluded that it is satisfied with the accounting treatment of impairment of goodwill.

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 may be inappropriate or incomplete (see note 13 of the financial statements). Management has an established methodology for assessing inventory provisions. Range reviews are regularly undertaken to ensure that all discontinued inventory is identified.

The Audit Committee has received detailed reports from Halfords' finance team and external Auditor addressing this issue. 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 AUDITORS

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 February 2015, 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) were 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. A partner rotation was due during the year, and accordingly KPMG's Peter Meehan has taken up the responsibilities of Senior Statutory Auditor.

The Audit Committee considers that the relationship with the Auditor is working well and is satisfied with their independence, objectivity and effectiveness and has not considered it necessary to require KPMG LLP to re-tender for external audit work. The Audit Committee has recommended to the Board, for approval by shareholders at the AGM on 30 July 2015, the reappointment of KPMG LLP as external 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 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 is formally approved by the Audit Committee before contractual arrangements are entered into, except for:

i. Half year review; and

ii. Internal support services supplied by the Auditor in order to execute management's Internal Audit plan.

Other than for the above, for each separate service proposed to be provided by the Auditor, the 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 CEO giving a description of the work to be undertaken, the reasons why the Auditor is involved in the proposal and how objectivity and independence has, and is seen to be, safeguarded.

Consent is required from the Audit Committee Chairman on behalf of the Audit Committee before the 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 2 to the financial statements.

ROLE AND EFFECTIVENESS OF INTERNAL AUDIT

The Company has a dedicated in-house internal audit team, assisted by external specialists if necessary. The team principally reviews the effectiveness of the controls operating within the business by undertaking an agreed schedule of independent audits each year. The Audit Committee determines the nature and scope of the annual audit programme at the beginning of each year and revises it from time to time according to changing business circumstances and requirements. The Audit Committee also confirms that internal audit has appropriate resources available to it. The annual audit programme is derived from an audit universe including financial and commercial processes, governance issues, and key corporate risks.

Internal Audit reports on a day-to-day basis to Andrew Findlay, the Chief Financial Officer, but is independent in action and reporting of issues, with direct line of communication to the Audit Committee Chairman. 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.

WHISTLEBLOWING

A Whistleblowing Policy and procedure 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 support centres.

The Whistleblowing Policy and procedure 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 our employees, suppliers and any associated parties acting on our 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 the 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 page 49.

REMUNERATION COMMITTEE REPORT

"Our approach to remuneration supports a strong focus on performance and reflects the nature of our business."

104,000
We Fits
IN ONE WEEK

8.9m
LITRES OF SCREENWASH FY15

REMUNERATION COMMITTEE CHAIRMAN'S LETTER

DEAR SHAREHOLDERS

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Report for the financial period ended 3 April 2015.

The Report has been prepared in line with the new UK Reporting Regulations that came into force in 2013 and consists of three sections:

- **This Annual Statement;**
- **Our Policy Report,** which sets out the Directors' Remuneration Policy for all Directors of Halfords; and
- **Our Annual Report on Remuneration**, which sets out the details of how the Company's Directors were paid during FY15 and how our policy will be implemented in FY16. The Annual Report on Remuneration is subject to an advisory shareholder vote at the 2015 AGM.

REMUNERATION POLICY

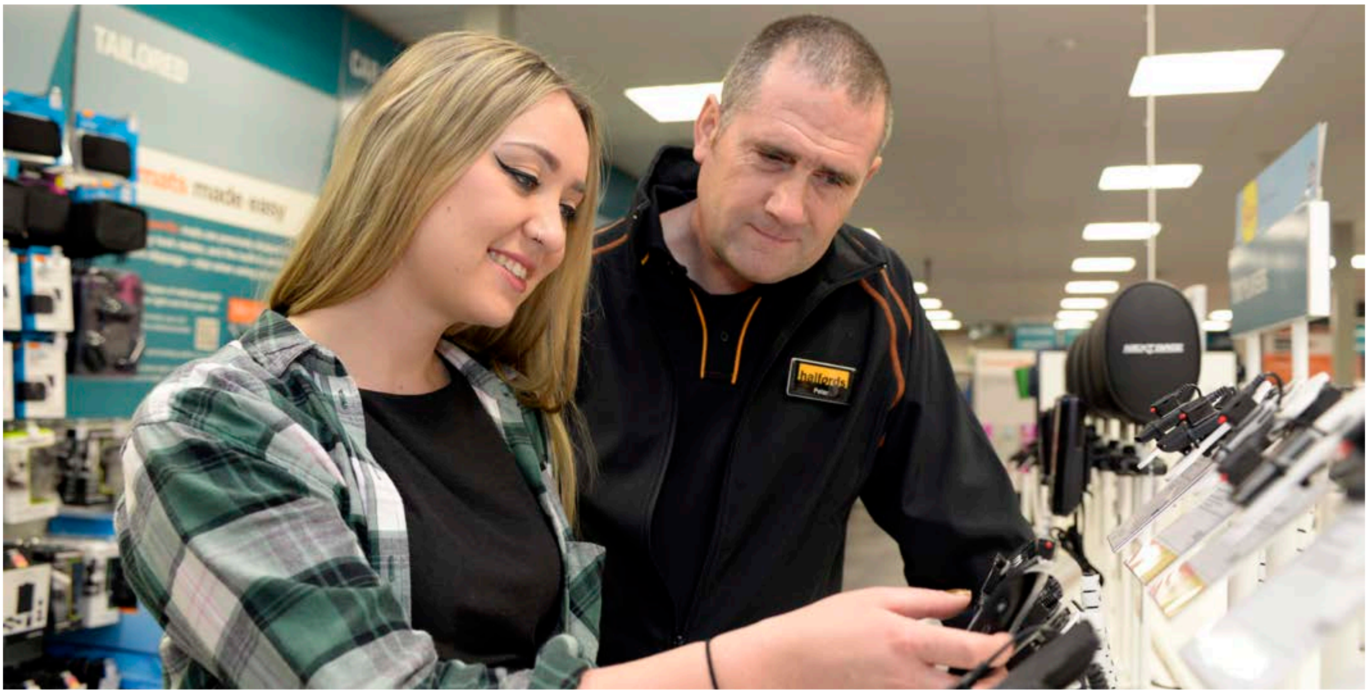
The Committee was pleased that shareholders approved our Remuneration Policy at the AGM that took place on 29 July 2014. There are no proposals to amend the policy at this time and it is intended to continue until 2017. The Group's full Remuneration Policy is available on the corporate governance section of the Halfords website www.halfordscompany.com and, for ease of reference, is also summarised on pages 58 to 61.

REMUNERATION STRUCTURE AND PHILOSOPHY

The Remuneration structure is comprised of the following elements:

- Fixed pay — base salary, benefits and pension; and
- Variable pay — annual cash bonus and Performance Share Plan.

Our approach to remuneration supports a strong focus on performance and reflects the nature of our business. Our remuneration philosophy is aimed at providing Executive Directors with incentive opportunities strongly aligned to growth, profitability and shareholder returns.



PERFORMANCE SHARE PLAN ("PSP")

To ensure that the interests of the Executive Directors continue to align with the delivery of the strategy, the Committee again determined that the performance measure for the FY15 PSP would be based on 75% Group EBITDA growth and 25% Group Revenue Growth.

The rules for the current PSP expire this year, having been in place for 10 years. The Committee has considered and approved new rules for the PSP, which will be placed before members for their approval at the 2015 AGM. We took this opportunity to introduce clawback provisions into the plan, alongside existing malus provisions.

SAVE AS YOU EARN SCHEME ("SAYE")

The Committee believes that encouraging colleagues to own shares in the business encourages them to 'think like an owner' in their dealings with customers and colleagues, which is why the Committee doubled the monthly sum that colleagues are permitted to save from £250 to £500. Share ownership is another factor that makes Halfords a great place to work, as it drives colleague motivation and commitment. At the last AGM, members approved the renewal of a UK SAYE Scheme, which led to the adoption of new rules for the UK SAYE. Members also approved measures to allow overseas colleagues to participate in similar SAYE schemes.

INCENTIVE / REMUNERATION REVIEW

The Committee approved a 2% salary increase for Executive Directors, mirroring that awarded to colleagues throughout the Support Centre in the October 2014 pay review. Executive Directors earned bonuses of 94.0% of their maximum FY15 opportunity (FY14 97.5%). The Committee determined that this level of bonus was appropriate, reflecting the strong PBT result and compelling performance against key strategic objectives during the financial year.

Matt Davies resigned as Chief Executive Officer with effect from 30 April 2015. His termination arrangements were consistent with the approved Remuneration Policy. Further details are provided at appropriate places throughout the Annual Remuneration Report.

The Committee recommended to the Board a potential CEO remuneration package, as the Group searched for a replacement CEO following Matt Davies' resignation and, ultimately, approved the package offered to his successor, Jill McDonald.

The Committee also approved the addition of malus and clawback provisions within the FY16 Executive Bonus and Deferred Bonus schemes and, as mentioned above, approved the introduction of clawback provisions into the new PSP rules, alongside existing malus provisions. In each case, these provisions give the Committee the ability to reduce awards prior to vesting or require repayment of awards that have vested or been paid in certain circumstances.

CONCLUDING REMARKS

At the forthcoming AGM, shareholders will be provided with two separate votes relating to remuneration matters:

1. Vote on the 2015 Annual Report on Remuneration in line with the Regulations; this is an advisory vote; and
2. Approval of the new rules of the Halfords' PSP following the expiry of the current PSP Scheme.

I hope that you will find the report clear, transparent and informative. The Committee has sought to set 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 AGM.

Yours faithfully

Claudia Arney
Chairman of the Remuneration Committee
4 June 2015

REMUNERATION POLICY SUMMARY

2.5m
WIPER BLADES
FY15

5.3m
BULBS
FY15

This section of the report sets out Halfords' remuneration policy for all of the Executive Directors and Non-Executive Directors, explaining the purpose and principles underlying the structure of remuneration packages and how the Policy links remuneration to the achievement of sustained high performance and long-term value creation.

As our Directors' Remuneration Policy (the "Policy") is unchanged from that approved by shareholders at the 2014 Annual General Meeting, we have provided a summary of the Policy to give context to decisions taken by the Remuneration Committee (the "Committee") during the year. The full Policy was in last year's Report and Accounts and can be found on our website www.halfordscompany.com

A summary of the Policy is provided in the following tables.

KEY ELEMENTS OF EXECUTIVE DIRECTORS' REMUNERATION POLICY

Base salary

Base salary is set at an appropriate level to attract and retain management of a high calibre with the necessary financial, retail, customer service and digital skill sets required to deliver a sustainable business model and drive shareholder returns.

Key policy features	Implementation of the Policy in the period
Base salaries are reviewed annually, typically with effect from 1 October, with increases broadly aligned to those in the wider workforce. Occasionally, larger increases may be considered to take account of changes in an individual's role or responsibilities, individual progression or experience or external market trends.	With effect from 1 October 2014, the salaries of the CEO and CFO were increased by 2%, mirroring the increase generally awarded to colleagues in the Support Centre. **Changes made** None

Benefits

To provide Executive Directors with market competitive benefits consistent with the role.

Key policy features	Implementation of the Policy in the period
Executive Directors receive various benefits as part of their package, such as a fully expensed car (or a cash allowance and a fuel card), private health insurance and life assurance. Where an Executive Director relocates to take up a role, other benefits may be proposed, such as relocation expenses, a housing allowance and school fees.	Executive Directors continued to enjoy the same benefits package as they had in the prior year. No allowances or benefits were increased. **Changes made** None

Pensions

To provide Executive Directors with an appropriate allowance for retirement planning.

Key policy features	Implementation of the Policy in the period
Defined employer contribution funding to the Halfords Pension Plan or payments into a personal fund or a cash allowance for Executive Directors to make their own pension arrangements. The maximum payable by the Company will be 20% of base salary.	The CEO received 20% of base salary, whilst the CFO received 15% of base salary. **Changes made** None

Annual Bonus

To incentivise Executive Directors to achieve annual financial targets and performance against strategic goals.

Key policy features	Implementation of the Policy in the period
The maximum annual bonus opportunity is 150% of base salary. The annual bonus is based on a mix of financial and strategic measures. Measures are selected each year by the Committee to ensure continued focus on the Company's strategy. At least 50% of the bonus will be based on financial measures. Generally the annual bonus is paid in cash, but the Committee might determine that it be paid in shares or in a mixture of cash and shares. The Committee may require a portion of any bonus earned to be deferred. Deferred bonus awards are normally made in the form of nil cost options, which normally vest three years from award. The Committee may decide to pay dividends on those shares during the vesting period, either as cash or as additional shares. Malus provisions apply to any deferred shares, allowing the Committee to scale back any award before exercise in circumstances that the Committee determines is appropriate such as a material misstatement of the Company's results, serious reputational damage to the Company, or where the Company suffers serious losses.	In the period, the CEO's maximum bonus opportunity was 150% of base salary, 1/3rd of which will be paid in shares and deferred for three years (with dividends reinvested), and the remainder paid in cash. The CFO's maximum bonus opportunity was 100% of base salary, paid in cash. **Changes made** During the period the Committee considered changing market practices and, accordingly, the FY16 Executive Bonus and Deferred Bonus Plan will reinforce existing malus provisions in relation to any deferred element and introduce clawback provisions for any paid element, giving the Company the power to seek redress from any individual for material misstatement, employee misconduct, serious reputational damage or miscalculation of metrics leading to an award under either scheme.

REMUNERATION POLICY SUMMARY continued

PSP

To attract and retain Executive Directors of a high calibre.

To incentivise and reward long-term performance and align Executive Directors' interests with those of our shareholders.

Key policy features	Implementation of the Policy in the period
The PSP comprises annual awards, usually in the form of nil-cost options, with vesting based on performance against pre-determined conditions over a minimum three-year period. The maximum core award is 150% of base salary. A participant has the opportunity to earn up to 1.5 × core award for exceptional performance and, therefore, the maximum annual face value of awards is 225% of base salary.	Awards granted in 2015 will vest subject to the achievement of stretching Revenue and EBITDA targets. The vesting of 25% of the awards will be determined by the growth in the Group's Revenue and the vesting of 75% of the award will be determined by the growth in the Group's EBITDA over a three-year performance period. In addition to achieving these targets, the vesting of awards will be subject to meeting a net debt underpin. The core award for the CEO and CFO in the period was 150% of base salary. **Changes made** The PSP rules expire in 2015, having been in place for 10 years. The new PSP rules that shareholders are being asked to approve at the AGM will restate existing malus provisions and introduce clawback provisions, each giving the Company the power to seek redress from any individual for material misstatement, employee misconduct, serious reputational damage or miscalculation of metrics leading to an award under the PSP.

CEO Co-Investment Award

This one-off award was implemented to recruit and retain Matt Davies as CEO, aligning his interests with those of our shareholders and to reward growth in the share price.

Key policy features	Implementation of the Policy in the period
A one-off award made on the appointment of the CEO. The CEO was required to invest £500,000 in Halfords shares to receive a matching share award. The CEO was granted an award of matching shares in the form of a nil cost option that may vest in tranches following the Committee's assessment of performance. The maximum number of matching shares which may be acquired under the award (excluding dividend equivalents) is 3.5 times the number of investment shares acquired (574,196 shares).	As Matt Davies, CEO, tendered his resignation in the period, all matching share awards were forfeited upon his leaving in April. As previously committed, the scheme was not utilised in the recruitment of Jill McDonald, successor CEO. **Changes made** None

KEY ELEMENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

NED Fees

Fee levels are designed to attract and retain high-calibre individuals to serve as Non-Executive Directors.

Key policy features	Implementation of the Policy in the period
Fee levels are set to reflect the time, commitment and experience of the Chairman and the Non-Executive Directors, benchmarking fees against UK listed retail comparators. The fees of Non-Executive Directors are normally reviewed every two years by the Board, following a recommendation from the CEO. The Chairman's fees are determined by the Remuneration Committee, again following a recommendation from the CEO. The Chairman's fee includes a sum for chairing the Nomination Committee but other Committee Chairmen may receive an additional fee for that role, as does the Senior Independent Director. The fees are normally paid in cash quarterly but may be paid in shares if this is considered appropriate.	Fees for Non-Executive Directors remained static in the period, the annual fee being £48,000, with an additional annual allowance of £5,000 for chairing the Audit or Remuneration Committee. The role of Senior Independent Director attracts a further annual allowance of £15,000. The Chairman's annual fee remained unchanged at £176,000. The Chairman and Non-Executive Directors do not currently receive other benefits but reasonable benefits may be provided in the future if appropriate. Reasonable travel and subsistence expenses were reimbursed. **Changes made** None

ANNUAL REMUNERATION REPORT

"Our remuneration philosophy is aimed at providing Executive Directors with incentive opportunities strongly aligned to growth, profitability and shareholder returns."

500,000 MOTs AUTOCENTRES

170,000 SERVICES AUTOCENTRES

THE COMMITTEE

During the period, the Remuneration Committee (the "Committee") consisted of Claudia Arney (Chairman), Dennis Millard, David Adams, Helen Jones, Bill Ronald and Keith Harris (Bill and Keith retired on 31 May 2014).

All members are considered to be independent for the purposes of the UK Corporate Governance Code. The Company Secretary acts as secretary to the Committee.

The Board has delegated responsibility to the Committee for ensuring that a policy exists for the remuneration of the CEO, the Chairman, other Executive Directors and members of executive management. The Committee has designed a policy that provides Executive Directors with the appropriate incentives to enhance the Group's performance and to reward them for their personal contribution to the business. The Committee's other activities include:

- Recommending to the Board the total individual remuneration package of Executive Directors and members of executive management;
- Recommending the design of Company share incentive plans to the Board, approving any awards to Executive Directors and other executive managers under those plans and defining any perfomance conditions attached to those awards;
- Determining the Chairman's fee, following a recommendation from the CEO; and
- Maintaining an active dialogue with institutional investors and shareholder representatives.

The Committee's full Terms of Reference are set out on the Company's website at www.halfordscompany.com

The Committee met on eight occasions during the period; attendance details are shown in the table on page 45. Details of advisors to the Committee can be found on page 63.

SUMMARY OF COMMITTEE ACTIVITY DURING FY15

In this period, the Committee has:

- Discussed and approved both financial and strategic annual bonus metrics and targets;
- Discussed and reviewed Directors' salaries;
- Reviewed Directors' share ownership guidelines;
- Set parameters for the potential package available during the CEO recruitment exercise;
- Discussed and reviewed attainment against the performance conditions for the Performance Share Plan and Company Share Option Scheme due to vest during the period;
- Approved grants under the Performance Share Plan, Company Share Option Scheme (to senior managers below Board) and Sharesave Scheme;
- Considered and approved the design of the proposed Irish Sharesave Scheme;
- Reviewed and approved the termination arrangements in relation to the outgoing CEO;
- Considered and approved the Service Agreement and letter of appointment for the new CEO;
- Considered and approved the drafting of Malus and Clawback provision for inclusion in the Executive Bonus Scheme and the Deferred Bonus Plan; and
- Reviewed its choice of appointed remuneration advisors.

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. This report meets the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The information set out below represents auditable disclosures referred to in the Auditors Report on pages 74 and 75, as specified by the UK Listing Authority and the Regulations.

ADVISORS

During the year, the Committee has been supported by Jonathan Crookall, People Director and Justin Richards, Company Secretary. The CEO and CFO also attend Committee meetings on occasion, at the request of the Committee; they are never present when their own remuneration is discussed. The Committee also engaged with Deloitte LLP, which advised on performance measures for the PSP, remuneration reporting and other remuneration matters. Fees paid to Deloitte for this advice were £19,250. Deloitte has also provided advice to management, to enable their support of the Committee, primarily in relation to remuneration reporting.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to the Remuneration Consultants Group Code of Conduct when dealing with the Committee. We consider Deloitte's advice to be independent and impartial. We are also satisfied that the Deloitte Engagement Partner and team, who provided remuneration advice to the Committee, do 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.

Towers Watson also provided the Committee with executive salary benchmark data. Towers Watson are also signatories of the Remuneration Consultants Code of Conduct. Fees paid to Towers Watson for this advice were £3,500.

SHAREHOLDER DIALOGUE

The voting outcome from the 2014 Annual General Meeting reflected very strong individual and institutional shareholder support. We continue to be mindful of the concerns of our shareholders and other stakeholders and welcome shareholder feedback on any issue related to Executive remuneration. 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, determine appropriate actions and detail any such actions in response to it in the Directors' Remuneration Report. In the period, the Committee Chairman and the Company Secretary met with one of the largest shareholder advisory consultancies to discuss executive remuneration.

The following table sets out the votes cast at the 2014 AGM in respect of the previous Remuneration Report.

VOTES IN RELATION TO THE ANNUAL REPORT ON REMUNERATION

	% of votes For	% of votes Against
FY14 Directors' Remuneration Policy (2014 AGM)*	96.45%	2.99%
FY14 Directors' Remuneration Report (2014 AGM)**	99.30%	0.69%

* 759,006 votes were withheld in relation to this resolution.
** 16,227 votes were withheld in relation to this resolution.

HOW WAS THE REMUNERATION POLICY IMPLEMENTED IN 2014/15 – EXECUTIVE DIRECTORS

SINGLE REMUNERATION FIGURE (AUDITED)

	Base Salary	Bonus	Benefits	Pension	PSP	Total 'Single Figure'
2014/2015						
Matt Davies	**512,575**	**–** [1]	**31,102**	**101,500**	**n/a** [3]	**645,177**
Andrew Findlay	**328,250**	**–** [1]	**15,609**	**49,230**	**143,438** [3]	**536,527**
Totals	**840,825**	**–**	**46,711**	**150,730**	**143,438** [3]	**1,181,704**
2013/14						
Matt Davies	503,750	736,734	31,212	100,375	n/a [2]	1,372,071
Andrew Findlay	302,750	295,181	17,050	45,000	– [2]	660,011
Totals	806,500	1,031,915	48,262	142,250	0	2,028,957

1. Matt Davies and Andrew Findlay tendered their resignations prior to the payment of the FY15 bonus and, accordingly, were not eligible to receive any bonus in respect of the period.
2. Shares were awarded in August 2011 under the Performance Share Plan based on performance in the period April 2011 to March 2014. In May 2014 the performance conditions for these shares were measured and the Committee determined that no awards would vest. Matt Davies did not receive a PSP award in 2011 as this was prior to his joining the Company.
3. Shares were awarded in August 2012 under the Performance Share Plan based on performance in the period April 2012 to March 2015. In May 2015 the performance conditions for these shares were measured and the Committee determined that a percentage of awards would vest. Matt Davies did not receive a PSP award in 2012 as this was prior to his joining the Company. Further detail is given on page 65.

ANNUAL REMUNERATION REPORT continued

SALARY

In keeping with its usual cycle of reviewing company-wide salaries in October, the Committee considered an executive pay report compiled for it by Towers Watson. We concluded that the CEO and CFO's salaries were competitive and accordingly decided to increases both by 2%, mirroring the increase generally awarded to colleagues in the Support Centre.

2014/15 ANNUAL BONUS

Annual Bonuses for FY15 for Executive Directors were based 80% on Group PBT and 20% on the delivery of key strategic initiatives crucial to the delivery of the Company's strategy.

Annual Bonuses reported in the table on page 63 and payable in June 2015 for the FY15 financial period were calculated as follows:

Measure	Bonus Opportunity (% of total award)	Performance			Performance delivered	Bonus awarded (% of total award)
		Threshold	Target	Stretch		
PBT	80%	97% of budget	100% of budget	106% of budget	PBT for the year was in excess of 106% of budget and therefore this proportion of the annual bonus is payable in full.	80%
KEY STRATEGIC INITIATIVES						
Net promoter score	As measured by the talkback mechanism in stores – increasing the average score over the final three months of the year.				Achieved	4%
Engagement index	Increasing the year on year engagement index based on the annual survey.				Not achieved	0%
Value added sales	Increasing the total incremental sales in the financial year of 3Bs fitting, other auto fitting, cycle repair, Sat Nav attachment and cycle accessories.				Partially achieved	3%
Retention of store colleagues	Reducing the number of colleagues who leave the business, as a percentage, within three months of their start date.				Achieved	4%
50:39 store delivery	Successful roll out of programme to defined standard.				Achieved	4%
Total Bonus						**95%**

The annual bonus outturn was reviewed in the context of the performance of the underlying business during the year and delivery against strategy. In that context, we assessed the level of bonus to be appropriate however, due to the resignations of Matt Davies and Andrew Findlay prior to the payment of bonus, each ceased to be eligible and, therefore, did not receive a bonus in respect of the period.

We are committed to providing the greatest possible transparency in relation to retrospective achievement against the objectives that form part of the bonus measures. Clearly, some of those measures are commercially sensitive and to disclose them could reveal information about our business planning and budgeting to competitors, which could be damaging to our business interests and, therefore, also to shareholders. Of the FY15 metrics against which bonus outturn has been assessed, we are able to disclose the following:

Measure	Threshold	Maximum	FY15 performance
Engagement index	81%	82%	79%
Retention of store colleagues	11%	10%	9%

Measure[1]	FY15 performance against FY14 outturn
Net promoter score	+5%pts
Value added sales	+8.2%

[1] 50:39 Store delivery was a new metric for FY15.

2012 PERFORMANCE SHARE PLAN AWARD

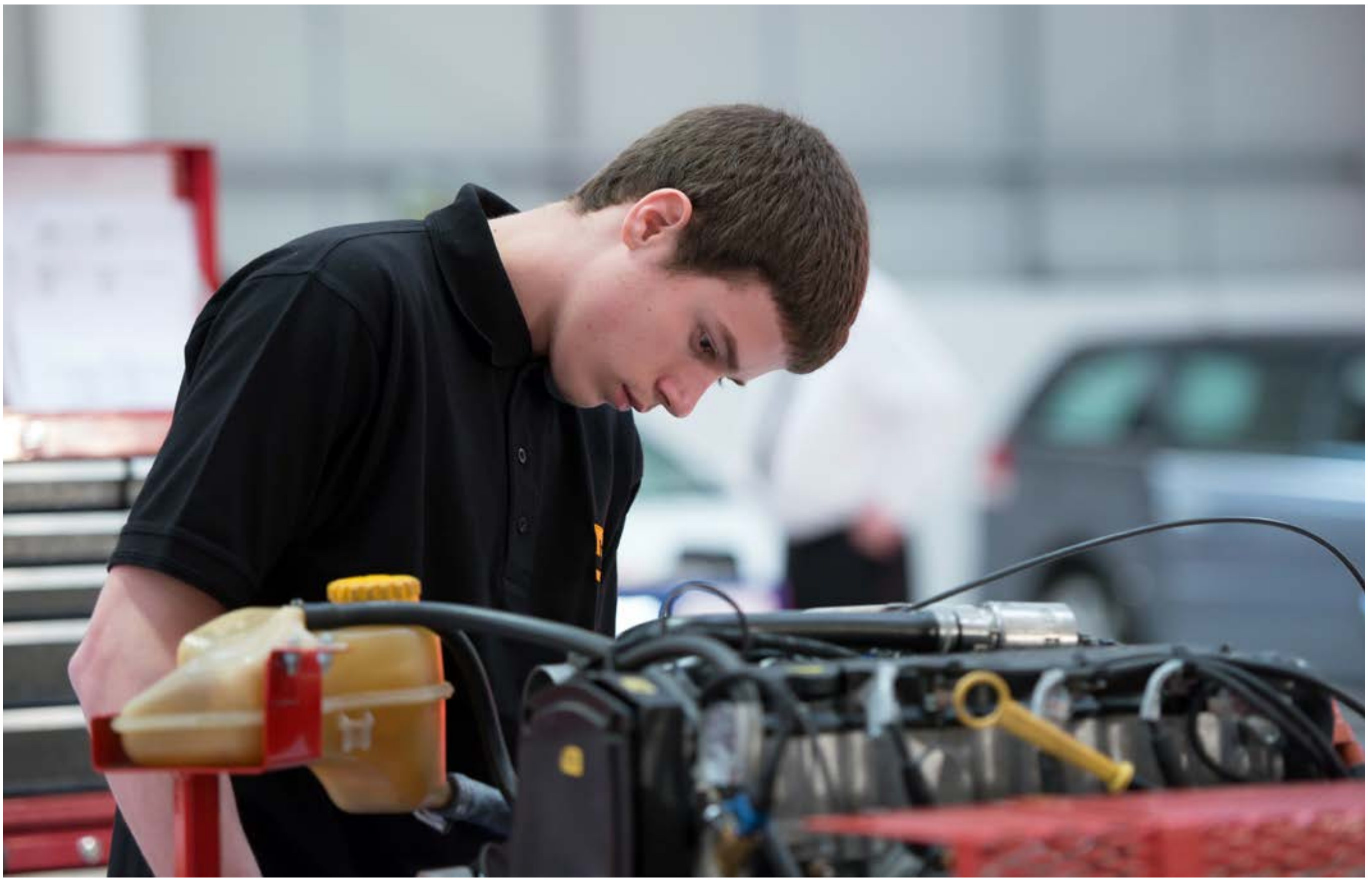
Awards granted in 2012 under the PSP were subject to the following performance conditions:

		TSR Performance Element (50% of award)	EPS Performance Element (50% of award)
Award "Multiplier" (up to 1.5 x initial award) i.e. 225% of salary.	1.5 x initial award vesting	Upper Decile performance	16% growth p.a. above RPI
	Straight-line vesting	Between Upper Quartile and Upper Decile performance	Between 11% growth p.a. and 16% growth p.a. above RPI
Core Award (150% of salary)	100% Vesting	Upper Quartile performance	11% growth p.a. above RPI
	Straight-line vesting	Between Median and Upper Quartile performance	Between 4% growth p.a. and 11% growth p.a. above RPI
	30% Vesting	Median performance	4% growth p.a. above RPI
	0% Vesting	Below Median performance	Below 4% growth p.a. above RPI

TSR and EPS performance are assessed on an independent basis. However, to ensure that the PSP continues to support sustainable performance, the multiplier for one measure is only applied if performance is at least at the threshold level (30% vesting) for the other measure.

The companies included in the TSR comparator group are based on the FTSE 350 general retail and food retail companies on the date of grant. For awards granted in 2012 these are as follows: N. Brown Group plc; Carpetright plc; Debenhams plc; Dignity plc; Dixons Retail plc (formerly DSG International); Dunelm Group plc; Greggs plc; Home Retail Group plc; JD Sports Fashion plc; J. Sainsbury plc; Darty plc (formerly Kesa Electricals); Kingfisher plc; Marks & Spencer plc; Morrison (WM) Supermarkets plc; WH Smith plc; Next plc; Sports Direct International plc; and Tesco plc.

Based on TSR performance between 31 March 2012 to 3 April 2015, Halfords' TSR was positioned at median against the comparator group and therefore 30% of the TSR element of the award will vest. EPS growth between FY12 and FY15 was 5.6% below RPI and, therefore, 0% of the EPS element of the award will vest.



ANNUAL REMUNERATION REPORT continued

The following table shows the history of PSP award vesting over the last 5 five years.

	FY11	FY12	FY13	FY14	FY15
PSP vestings (% of maximum)	99%	0%	0%	0%	15%

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 and fuel card.

PENSION

Pension payments represent contributions made either to defined contribution pension schemes or as a cash allowance. The CEO received a contribution of 20% of base salary and the CFO received a contribution of 15% of base salary.

SHARE AWARDS GRANTED DURING THE YEAR (AUDITED)
PERFORMANCE SHARE PLAN

During the period we approved awards to the Executive Directors under the Performance Share Plan as follows:

	Date of award	Type of award	Number of shares	Maximum face value of award (1.5x the number of awards granted)**	Threshold vesting (% of target award)	Performance period
Matt Davies	11 August 2014	Nil cost option (0p exercise price)	161,659*	£1,161,520	30%	29 March 2014 to 31 March 2017
Andrew Findlay	11 August 2014	Nil cost option (0p exercise price)	103,525*	£743,827	30%	29 March 2014 to 31 March 2017

* These awards were based on 150% of salary

** Based on the mid-market price on the date of the awards of £4.79

PERFORMANCE CONDITIONS

Awards granted in 2014 are subject to the following performance conditions:

		Group Revenue Growth – CAGR (25% of the award)	Group EBITDA Growth (75% of the award
Award "Multiplier" (up to 1.5 x initial award) i.e. 225% of salary.	1.5 x initial award vesting	7.5% or more	9.0% or more
	Straight-line vesting	Between 6.5% and 7.5%	Between 7.5% and 9.0%
Core Award (150% of salary)	100% Vesting	6.5%	7.5%
	Straight-line vesting	Between 5.0% and 6.5%	Between 5.0% and 7.5%
	30% Vesting	5.0%	5.0%
	0% Vesting	Below 5.0%	Below 5.0%

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 1.5x 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 Core Award shares that vest will become exercisable in August 2017. To the extent that awards vest in line with the performance multiplier outlined above, these shares will only become exercisable in August 2019, following a retention period of two years.

DEFERRED BONUS PLAN

Matt Davies received a bonus of £736,734 in respect of 2013/14 of which one-third (£245,578) was deferred into 50,437 shares under the Deferred Bonus Plan on 30 May 2014 at a price of £4.869.

OUTSTANDING SHARE AWARDS (AUDITED)

PERFORMANCE SHARE PLAN

The following summarises outstanding awards under the PSP:

	Award Date	Mid-market price on date of awards	Awards held 28 March 2014	Awarded during the period	Dividend Reinvestment[1]	Forfeited during the period	Lapsed during the period	Exercised during the year	Awards held 3 April 2015	Performance period 3 years to
Matt Davies[2]	7 August 2013	3.74	202,808	—	6,308	—	—	—	209,116	1 April 2016
	11 August 2014	4.79	—	161,659	1,938	—	—	—	163,596	31 March 2017
Andrew Findlay	3 August 2012[3]	2.20	202,892	—	6,310	—	—	—	209,202	3 April 2015
	7 August 2013	3.74	113,776	—	3,539	—	—	—	117,314	1 April 2016
	11 August 2014	4.79	—	103,525	1,241	—	—	—	104,766	31 March 2017

1. Interim and final dividends have been reinvested in shares at prices between £3.54 and £4.8177.
2. Matt Davies resigned on 30 April 2015 and his outstanding PSP awards lapsed at this date in accordance with the scheme rules.
3. The Remuneration Committee has reviewed the performance conditions attached to 2012 Performance Share Plan award and determined that 15% of the award will vest in August 2015. Please see page 65 for details.

The performance conditions for 2012 awards were TSR performance and EPS growth. Awards from 2013 onwards have performance conditions based on Group revenue performance and Group EBITDA growth.

CO-INVESTMENT PLAN

On appointment, the Company made Matt Davies a one-off Co-Investment Award. This award was designed to allow the Company to recruit and retain an executive of the calibre required to run the business and to incentivise the CEO to deliver exceptional shareholder value creation through the achievement of share price performance targets. This plan was adopted for the sole purpose of making a one-off award to Matt Davies and it was not anticipated that any further awards would be made under this plan to either Matt Davies or any other executive.

	Award Date	Awards held 28 March 2014	Awarded during the period	Dividend reinvestment[1]	Lapsed during the period	Exercised during the year	Awards held 3 April 2015	Performance period 3-5 years
Matt Davies	28 January 2013	594,666	—	19,141	—	—	613,807	Nov 2015 to Nov 2017

1. Interim and final dividends have been reinvested in shares at prices between £3.709 and £4.759

Matt Davies tendered his resignation in the period and accordingly, all awards under the Co-Investment Plan lapsed upon his leaving. As previously committed, the scheme was not utilised in the recruitment of Jill McDonald, successor CEO.

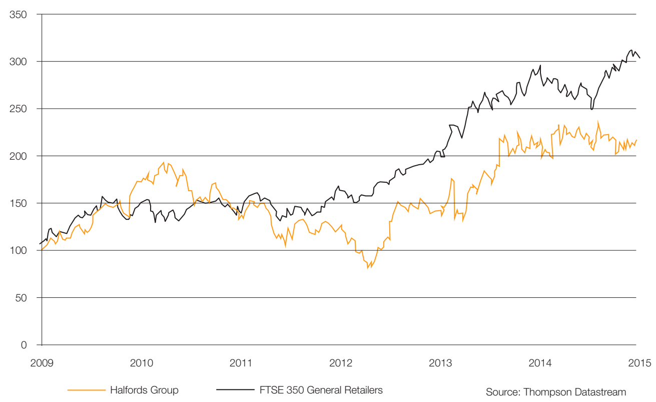
DEFERRED BONUS PLAN

	Award Date	Awards held 28 March 2014	Awarded during the period	Dividend Reinvestment	Lapsed during the period	Exercised during the year	Awards held 3 April 2015[1]
Matt Davies	31 May 2013	19,678	—	630	—	—	20,308
	30 May 2014	—	50,437[2]	1,587	—	—	52,024

1. Matt Davies resigned on 30 April 2015. In accordance with the Plan rules, he is entitled to exercise awards held in this Plan
2. Matt Davies received a bonus of £736,734 of which one-third was deferred into shares under the Halfords Deferred Bonus Plan at a price of £4.869 per share

CEO PAY COMPARED TO PERFORMANCE

The following graph shows the TSR performance of the Company since April 2009, against the FTSE 350 General Retailers (which was chosen because it represents a broad equity market index of which the Company is a constituent).



ANNUAL REMUNERATION REPORT continued

The following table summarises the CEO single figure for the past five 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.

		2010/11	2011/12	2012/13	2013/14	2014/15
CEO single figure (£000)	Matt Davies[1]			311	635	645
	David Wild[2]	606	617	198	—	—
Annual bonus (% of maximum)	Matt Davies			50%	97.5%	n/a[3]
	David Wild	0%	0%			—
PSP vesting (% of maximum)	Matt Davies			n/a	n/a	n/a
	David Wild	99%	0%	n/a	—	—

1. Matt Davies was appointed on 4 October 2012 and stepped down as CEO on 30 April 2015. Matt did not receive PSP awards in 2011 or 2012, as these were before he was appointed.
2. David Wild stepped down as CEO on 19 July 2012. David's 2010 PSP award lapsed on leaving.
3. Matt Davies tendered his resignation prior to the payment of the FY15 bonus and, accordingly was not eligible to receive any bonus in respect of the period.

SHAREHOLDING GUIDELINES (AUDITED)

The Committee believes that it is important that Executive Directors' interests are aligned with those of our shareholders to incentivise them to deliver the corporate strategy, thus creating value for all shareholders. Executive Directors are encouraged to acquire and retain shares with a value equal to 100% of their annual base salary. Executive Directors have a five-year period to build this shareholding following their appointment.

	Matt Davies	Andrew Findlay
Shareholding requirement	100%	100%
Current shareholding	174,056	19,108
Current value (based on share price on 3 April 2015)	£795,610	£87,343
Current % of salary	154%	26%
Date by which guideline should be met	4 October 2017	1 February 2016

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 3 April 2015 and 4 June 2015.

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. Matt Davies received fees of £38,993.18 as a non-executive director of Dunlem Group plc in the period, having resigned from the post on 8 January 2015.

LOSS OF OFFICE PAYMENTS (AUDITED)

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

PAYMENTS TO FORMER DIRECTORS (AUDITED)

As stated in the prior year, Paul McClenaghan left the business on 12 April 2013 with 'Good Leaver' status and, therefore, retained a pro-rated portion of his Performance Share Plan ("PSP") award that had been granted in 2012. The Remuneration Committee has reviewed the performance conditions attached to the 2012 PSP and determined that 15% of the awards will vest, which translates to a pro-rated vesting of 11,320 shares for Paul.

HOW WAS THE REMUNERATION POLICY IMPLEMENTED IN 2014/2015 – NON EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTOR SINGLE FIGURE COMPARISON (AUDITED)

Director	Role	Board Fees	Senior Independent Director	Committee Chairman Fees	Total 'Single Figure' 2015	Total 'Single Figure' 2014
Dennis Millard	Chairman	174,000			**174,000**	165,916
David Adams	Senior Independent Director & Audit Committee Chairman	48,000	15,000	5,000	**68,000**	51,500
Claudia Arney	Remuneration Committee Chairman	48,000		5,000	**53,000**	45,667
Helen Jones	NED	48,000			**48,000**	—
Keith Harris	NED (until 31 May 2014)	8,000			**8,000**	49,833
Bill Ronald	NED (until 31 May 2014)	8,000			**8,000**	59,000
Totals		334,000	15,000	10,000	**359,000**	371,916

NON-EXECUTIVE DIRECTOR SHAREHOLDING

Director	2015	2014
Dennis Millard	**50,000**	50,000
David Adams	**6,544**	6,350
Claudia Arney	**21,052**	21,052
Helen Jones	**3,000**	–

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 the 3 April 2015 and 4 June 2015.

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

HOW REMUNERATION POLICY WILL BE IMPLEMENTED FOR 2014/15 — EXECUTIVE DIRECTORS

SALARY

Base salaries were reviewed with effect from 1 October 2014 and increases were made as per the details on page 69. Current salaries for the Executive Directors are as follows:

CEO (prior to leaving on 30 April 2015)	£517,650
CFO	£331,500

Salaries will next be reviewed with effect from 1 October 2015.

ANNUAL BONUS

The annual bonus opportunity for 2015/16 will remain unchanged as follows:

CEO	• Maximum opportunity of 150% of base salary • 2/3rd paid in cash • 1/3rd paid in Halfords shares deferred for three years
CFO	• Maximum opportunity of 100% of base salary • Paid in cash

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 94% of budget, where payment is zero to 106% of budget for maximum payment. The Committee reviews the goals included in the strategic objectives portion of the bonus to ensure that they remain appropriate.

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 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.

SHARE PLANS

We have adopted four share plans: The Halfords Sharesave Scheme; the Halfords Company Share Option Scheme ("CSOS"), a market value share option plan; the Halfords Performance Share Plan ("PSP"); and the Halfords Co-Investment Plan (it is intended that no further awards will be made under this plan).

For the Executive Directors we intend to continue granting awards under the Performance Share Plan of 150% of base salary. If exceptional performance is achieved up to 1.5x the core award can be earned ('performance multiplier'). The vesting of awards will be subject to meeting the following performance conditions:

		Group Revenue Growth – CAGR (25% of the award)	Group EBITDA Growth (75% of the award
Award "Multiplier" (up to 1.5 x initial award) i.e. 225% of salary.	1.5 x initial award vesting	7.50%	9.00%
	Straight-line vesting	Between 6.50% and 7.50%	Between 7.50% and 9.00%
Core Award (150% of salary)	100% Vesting	6.50%	7.50%
	Straight-line vesting	Between 5.00% and 6.50%	Between 5.00% and 7.50%
	30% Vesting	5.00%	5.00%
	0% Vesting	Below 5.00%	Below 5.00%

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 1.5x 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 Core Award shares that vest will become exercisable in August 2017. To the extent that awards vest in line with the performance multiplier outlined above, these shares will only become exercisable in August 2019, following a retention period of two years. We are committed to providing the greatest possible transparency and will, therefore, provide retrospective disclosure of achievement against bonus metrics wherever possible, as further described on page 64.

While committed to the use of equity-based performance-related remuneration as a means of aligning Executive Directors' interests with those of shareholders, we are aware of shareholders' concerns on dilution through the issue of new shares to satisfy such awards. Therefore, when reviewing remuneration arrangements, we take into account the effects such arrangements may have on dilution. Halfords intends to comply with the Investment Association guidelines relating to the issue of new shares for equity incentive plans.

ANNUAL REMUNERATION REPORT continued

HOW REMUNERATION POLICY WILL BE IMPLEMENTED FOR 2015/16 — NON-EXECUTIVE DIRECTORS

FEES

The fees of Non-Executive Directors will normally be reviewed every two years to ensure that they are in line with market benchmarks, so that the Company can attract and retain individuals of the highest calibre. Any changes to these fees will be approved by the Board as a whole following a recommendation from the Chief Executive. The base fee for Non-Executive Directors was increased by 6.6% as from 1 March 2014, this was the first increases in these fees since April 2009. No fees were changed during the period. Current fees for Non-Executive Directors are as follows:

	2015	2014
Chairman	£176,000	£176,000
Base fee	£48,000	£48,000
Additional fees		
Senior Independent Director	£15,000	£15,000
Committee Chairman (Audit and Remuneration)	£5,000	£5,000

SPEND ON PAY

The Committee is aware of the importance of pay across the Group in delivering the Group's strategy and of shareholders' views on executive remuneration.

CHANGE IN REMUNERATION OF CHIEF EXECUTIVE COMPARED TO GROUP EMPLOYEES

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

	% change in base salary FY14 to FY15	% change in bonus earned FY14 to FY15	% change in benefits FY14 to FY15
Chief Executive	2.0	—[1]	No change
All colleagues	3.0	-26.0	No change

1. Matt Davies tendered his resignation in the period and, accordingly was not eligible to receive any bonus in respect of the period
2. The increase generally awarded to all colleagues was 2% with an additional 1% merit pot

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.

	2015	2014
EBITDA[1]	£109.9m	£101.1m
PBT (underlying)[1]	£81.1m	£72.8m
Returned to Shareholders:		
Dividend	£28.4m	£27.7m
Share Buyback	—	—
Payments to Employees:		
Wages & Salaries	£183.7m	£173.0m
Including Directors[2]	£1.18m	£2.0m

1. Based on the 52 week period.
2. 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 IFRSs as adopted by the 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 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 and 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 complies 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 website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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.

Dennis Millard
Chairman
4 June 2015

OUR FINANCIALS

INDEPENDENT AUDITOR'S REPORT' TO THE MEMBERS OF HALFORDS GROUP PLC ONLY

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Halfords Group plc ("the Group") for the 53 week period ended 3 April 2015 set out on pages 77 to 111. 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 3 April 2015 and of the Group's profit for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK Accounting standards; 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.

2. OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows.

VALUATION OF INVENTORY WITHIN THE RETAIL DIVISION (£147.8 MILLION)

Refer to pages 52 to 55 (Audit Committee Report), page 86 (accounting policy) and page 97 (financial disclosures).

- **The risk** – The Group holds a significant amount of inventory across a broad and diverse product range. Changes in consumer tastes and demands may mean that they cannot be sold or sales prices are discounted to less than the current carrying value. Estimating the future demand for, and hence the recoverable amount of, these products is inherently subjective.
- **Our response** – Our audit procedures in this area included testing the design and effectiveness of controls over identifying slow moving or discontinued products. We critically assessed the Group's provision for those product lines identified as slow moving or potentially slow moving, by obtaining an understanding of the Group's sales and purchasing plans for 2015/6, and the new product launches therein, as well as the level of expected discounting. We compared post year-end sales data to items within the Group's provision and to information provided by Category Managers responsible for each product category, in particular any product ranges that were forecast to be phased out or replaced, which were corroborated with the Group's purchasing plans. In addition, we compared inventory holding at the year end to past, and expected, sales performance to further identify potentially excess inventory lines.

We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

VALUATION OF GOODWILL ASSOCIATED WITH THE NATIONWIDE AUTOCENTRES ACQUISITION (£69.7 MILLION)

Refer to pages 52 to 55 (Audit Committee Report), page 85 (accounting policy) and page 95 (financial disclosures).

- **The risk** – Following the acquisition of Nationwide Autocentres in 2010, the Group has held significant goodwill in the business. The business operates in a competitive market and commercial difficulties; such as loss of a significant customer, changes to market share or changes to the frequency with which customers replace their cars, may lead to a risk that the business does not meet the growth projections necessary to support the carrying value of the goodwill. Due to the inherent uncertainty involved in forecasting these cashflows, this is one of the key judgemental areas that our audit is concentrated on.
- **Our response** – Our audit procedures included, challenging the assumptions used around prospective trading levels, in light of the historical forecasting accuracy for newly opened Autocentres, given the proportion which have been opened in the past 2-3 years. We assessed the Group's performance against budget in the current and prior periods to evaluate the historical accuracy of overall forecasts. We used breakeven analysis to determine the key sensitivities within the budgeting model, which we considered to be the discount rate and the growth rate. The discount rate was determined by an independent third party. Further, we have critically assessed the various components of discount rate, by benchmarking the rate against external market data and the Group's financial position. We have assessed the continuing improvement in customer retention, a key factor in the growth rate, through reference to the Net Promoter Score (NPS) provided by an independent third party, and through our observation of a recent increase in customer-centric initiatives around the Group.

We considered the adequacy of the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The materiality for the Group financial statements as a whole was set at £4.0 million (FY14: £5.0 million), determined with reference to a benchmark of Group profit before tax, of which it represents 5.0% (FY14: 6.9%), a reduction from the prior period to ensure consistency with the industry peer group and other listed companies.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2 million in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality set out above and covered 100% of total Group revenue, Group profit before taxation, and total Group assets.

4. OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. WE HAVE NOTHING TO REPORT IN RESPECT OF THE MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our 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 performance, business model and strategy; or
- the Audit Committee report, as set out on pages 52 to 55 does not appropriately address matters communicated by us to the Audit and Risk Committee.

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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 41, in relation to going concern;
- the part of the Corporate Governance Statement on pages 42 to 49 relating to the company's compliance with the ten provisions of the UK Corporate Governance Code 2012 specified for our review.

We have nothing to report in respect of the above responsibilities.

SCOPE OF REPORT AND RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on page 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
4 June 2015

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CONSOLIDATED INCOME STATEMENT

		53 weeks to 3 April 2015			52 weeks to 28 March 2014		
For the period	Notes	Before Non-recurring Items £m	Non-recurring items (note 5) £m	Total £m	Before Non-recurring Items £m	Non-recurring items (note 5) £m	Total £m
Revenue		1,025.4	–	1,025.4	939.7	–	939.7
Cost of sales		(479.1)	–	(479.1)	(435.5)	–	(435.5)
Gross profit		546.3	–	546.3	504.2	–	504.2
Operating expenses	2	(458.7)	(0.3)	(459.0)	(426.4)	(0.2)	(426.6)
Results from operating activities	3	87.6	(0.3)	87.3	77.8	(0.2)	77.6
Finance costs	6	(3.6)	–	(3.6)	(5.2)	–	(5.2)
Finance income	6	0.1	–	0.1	0.2	–	0.2
Net finance expense		(3.5)	–	(3.5)	(5.0)	–	(5.0)
Profit before income tax		84.1	(0.3)	83.8	72.8	(0.2)	72.6
Income tax expense	7	(17.9)	(0.1)	(18.0)	(17.0)	(0.1)	(17.1)
Profit for the financial period attributable to equity shareholders		66.2	(0.4)	65.8	55.8	(0.3)	55.5
Earnings per share							
Basic	9	34.1p		33.8p	28.8p		28.6p
Diluted	9	33.5p		33.3p	28.4p		28.2p

All results relate to continuing operations of the Group.

The notes on pages 89 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Profit for the period		**65.8**	55.5
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**7.9**	(3.0)
Transfers to inventory		**(1.4)**	1.1
Transfers to net profit:			
Cost of sales		**(3.4)**	(0.1)
Income tax on other comprehensive income	7	**(1.2)**	0.8
Other comprehensive income for the period, net of income tax		**1.9**	(1.2)
Total comprehensive income for the period attributable to equity shareholders		**67.7**	54.3

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 89 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	3 April 2015 £m	28 March 2014 £m
Assets			
Non-current assets			
Intangible assets	11	**356.8**	342.2
Property, plant and equipment	12	**103.8**	95.2
Deferred tax asset	19	**4.1**	4.4
Total non-current assets		**464.7**	441.8
Current assets			
Inventories	13	**149.3**	150.2
Trade and other receivables	14	**55.8**	52.8
Derivative financial instruments	20	**3.9**	—
Cash and cash equivalents	15	**22.4**	5.3
Total current assets		**231.4**	208.3
Total assets		**696.1**	650.1
Liabilities			
Current liabilities			
Borrowings	16	**(22.9)**	(10.3)
Derivative financial instruments	20	**(0.1)**	(2.1)
Trade and other payables	17	**(181.4)**	(159.5)
Current tax liabilities		**(12.4)**	(10.4)
Provisions	18	**(10.6)**	(9.0)
Total current liabilities		**(227.4)**	(191.3)
Net current assets		**4.0**	17.0
Non-current liabilities			
Borrowings	16	**(61.3)**	(94.6)
Accruals and deferred income – lease incentives	17	**(31.5)**	(28.8)
Provisions	18	**(8.2)**	(9.3)
Total non-current liabilities		**(101.0)**	(132.7)
Total liabilities		**(328.4)**	(324.0)
Net assets		**367.7**	326.1
Shareholders' equity			
Share capital	21	**2.0**	2.0
Share premium	21	**151.0**	151.0
Investment in own shares	21	**(13.6)**	(14.3)
Other reserves	21	**1.6**	(0.3)
Retained earnings		**226.7**	187.7
Total equity attributable to equity holders of the Company		**367.7**	326.1

The notes on pages 89 to 111 are an integral part of these consolidated financial statements.

The financial statements on pages 77 to 82 were approved by the Board of Directors on 4 June 2015 and were signed on its behalf by:

Andrew Findlay
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 29 March 2013	2.0	151.0	(13.2)	0.3	0.6	158.0	**298.7**
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	55.5	**55.5**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	–	–	–	–	(3.0)	–	**(3.0)**
Transfers to inventory	–	–	–	–	1.1	–	**1.1**
Transfers to net profit:							
Cost of sales	–	–	–	–	(0.1)	–	**(0.1)**
Income tax on other comprehensive income	–	–	–	–	0.8	–	**0.8**
Total other comprehensive income for the period net of tax	–	–	–	–	(1.2)	–	**(1.2)**
Total comprehensive income for the period	–	–	–	–	(1.2)	55.5	**54.3**
Transactions with owners							
Share options exercised	–	–	2.1	–	–	–	**2.1**
Share-based payment transactions	–	–	–	–	–	1.0	**1.0**
Purchase of own shares	–	–	(3.2)	–	–	–	**(3.2)**
Income tax on share-based payment transactions	–	–	–	–	–	0.9	**0.9**
Dividends to equity holders	–	–	–	–	–	(27.7)	**(27.7)**
Total transactions with owners	–	–	(1.1)	–	–	(25.8)	**(26.9)**
Balance at 28 March 2014	2.0	151.0	(14.3)	0.3	(0.6)	187.7	**326.1**
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	65.8	**65.8**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	–	–	–	–	7.9	–	**7.9**
Transfers to inventory	–	–	–	–	(1.4)	–	**(1.4)**
Transfers to net profit:							
Cost of sales	–	–	–	–	(3.4)	–	**(3.4)**
Income tax on other comprehensive income	–	–	–	–	(1.2)	–	**(1.2)**
Total other comprehensive income for the period net of tax	–	–	–	–	1.9	–	**1.9**
Total comprehensive income for the period	–	–	–	–	1.9	65.8	**67.7**
Transactions with owners							
Share options exercised	–	–	0.7	–	–	–	**0.7**
Share-based payment transactions	–	–	–	–	–	1.4	**1.4**
Purchase of own shares	–	–	–	–	–	–	**–**
Income tax on share-based payment transactions	–	–	–	–	–	0.2	**0.2**
Dividends to equity holders	–	–	–	–	–	(28.4)	**(28.4)**
Total transactions with owners	–	–	0.7	–	–	(26.8)	**(26.1)**
Balance at 3 April 2015	**2.0**	**151.0**	**(13.6)**	**0.3**	**1.3**	**226.7**	**367.7**

The notes on pages 89 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Cash flows from operating activities			
Profit after tax for the period, before non-recurring items		66.2	55.8
Non-recurring items		(0.4)	(0.3)
Profit after tax for the period		65.8	55.5
Depreciation — property, plant and equipment		20.2	18.0
Impairment charge		0.7	0.4
Amortisation — intangible assets		5.5	5.3
Net finance costs		3.5	5.0
Loss on disposal of property, plant and equipment		1.7	2.1
Equity-settled share based payment transactions		1.4	1.0
Fair value (gain)/loss on derivative financial instruments		(2.0)	1.4
Income tax expense		18.0	17.1
Decrease/(increase) in inventories		0.9	(17.0)
(Increase)/decrease in trade and other receivables		(3.0)	1.0
Increase in trade and other payables		27.2	10.7
Increase in provisions		0.5	6.7
Finance income received		0.1	0.2
Finance costs paid		(3.2)	(4.6)
Income tax paid		(17.1)	(35.3)
Net cash from operating activities		120.2	67.5
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	10	(14.0)	–
Purchase of intangible assets		(7.5)	(5.3)
Purchase of property, plant and equipment		(32.1)	(21.4)
Net cash used in investing activities		(53.6)	(26.7)
Cash flows from financing activities			
Net proceeds from exercise of share options		0.7	2.1
Purchase of own shares		–	(3.2)
Proceeds from loans, net of transaction costs		220.2	305.7
Repayment of borrowings		(254.0)	(326.0)
Payment of finance lease liabilities		(0.3)	(0.3)
Dividends paid		(28.4)	(27.7)
Net cash used in financing activities		(61.8)	(49.4)
Net increase/(decrease) in cash and bank overdrafts	I.	4.8	(8.6)
Cash and cash equivalents at the beginning of the period		(4.7)	3.9
Cash and cash equivalents at the end of the period	I.	0.1	(4.7)

The notes on pages 89 to 105 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

I. ANALYSIS OF MOVEMENTS IN THE GROUP'S NET DEBT IN THE PERIOD

	At 28 March 2014 £m	Cash flow £m	Other non-cash changes £m	**At 3 April 2015 £m**
Cash and cash equivalents at bank and in hand	(4.7)	4.8	–	**0.1**
Debt due after one year	(84.0)	33.9	(0.6)	**(50.7)**
Total net debt excluding finance leases	(88.7)	38.7	(0.6)	**(50.6)**
Finance leases due within one year	(0.3)	0.3	(0.6)	**(0.6)**
Finance lease due after one year	(10.6)	–	–	**(10.6)**
Total finance leases	(10.9)	0.3	(0.6)	**(11.2)**
Total net debt	(99.6)	39.0	(1.2)	**(61.8)**

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £0.6m (2014: £1.0m) and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £22.4m (2014: £5.3m) of liquid assets and £22.3m (2014: £10.0m) 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 3 April 2015 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 41, and under the historical cost convention, except where adopted IFRSs require an alternative treatment. The principal variations relate to financial instruments (IAS 39 "Financial instruments: recognition and measurement") 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 53 weeks to 3 April 2015, whilst the comparative period covered the 52 weeks to 28 March 2014.

BASIS OF CONSOLIDATION

SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that the Group no longer has control. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 principal subsidiary undertakings of the Company at 3 April 2015 are detailed in note 4 to the Company balance sheet on page 109.

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

RETAIL

Retail revenue comprises the fair value of the sale of goods and services to external customers, net of value added tax, rebates, promotions and returns. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue on goods delivered is recognised when the customer accepts delivery and on services when those services have been rendered.

CAR SERVICING

Car Servicing revenue comprises the provision of servicing to external customers, net of value added tax, rebates and promotions. Revenue is recognised at the point at which those services have been rendered.

PROMOTIONS AND RETURNS

The Group operates a variety of sales promotion schemes that give rise to goods and services being sold at a discount to standard retail price. Revenue is adjusted to show sales net of all related discounts. A provision for estimated returns is made representing the profit on goods sold during the year which are expected to be returned and refunded after the year end based on past experience. Revenue is reduced by the value of sales returns provided for during the year.

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-RECURRING ITEMS

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

ACCOUNTING POLICIES continued

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-recurring items. A reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 9.

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, except where it is deemed relevant to disclose the amounts to the nearest pound. 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;
- 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.

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.

ACCOUNTING POLICIES continued

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 expenditure incurred in inventories, 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 significant 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 timing of the amounts payable, and the time value of money has been incorporated in to 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

FINANCIAL ASSETS

The Group's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument.

I) TRADE RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the income statement in operating expenses.

II) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents includes bank overdrafts in addition to the definition above.

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities comprise trade and other payables and borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

I) BANK BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Finance cost comprises interest expense on borrowings, unwinding of the discount on provisions and the cost of forward foreign exchange contracts.

II) TRADE PAYABLES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

III) EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded as the proceeds are received, net of direct issue costs. Own shares consist of shares held within an employee benefit trust and are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds from the original cost being taken to revenue reserves. No gain or loss is recognised in the Group Income Statement on transactions in own shares held.

IV) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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 recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The effective element of any gain or loss from re-measuring the derivative instrument is recognised directly in the hedging reserve.

The associated cumulative gain or loss is reclassified from the Group Statement of Changes in Equity and recognised in the Group Income Statement in the same period or periods during which the hedged transaction affects the Group Income Statement. Any element of the re-measurement of the derivative instrument that does not meet the criteria for an effective hedge is recognised immediately in the Group Income Statement within finance income or costs.

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 twelve months or as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months.

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 judgement 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 judgements 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.

Sensitivities to the assumptions for specific product lines are not expected by management to result in a material change in the overall allowances.

INTANGIBLE ASSET VALUATIONS

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification of which intangible assets meet the recognition criteria as set out in IAS 38, the fair values attributable to those intangible assets, excluding any buyer-specific synergies, and the useful lives of individual intangible assets. The useful lives of intangibles assets relating to customer relationships involves judgement as to customer retention rates applicable.

ACCOUNTING POLICIES continued

IMPAIRMENT OF ASSETS

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 11.

The carrying amount of these assets and liabilities can be seen in the notes to the financial statements on pages 89 to 111.

ADOPTION OF NEW AND REVISED STANDARDS

The following standards and interpretations are applicable to the Group and have been adopted in the current period as they are mandatory for the year ended 3 April 2015 but either have no material impact on the result or net assets of the Group or are not applicable.

- IFRS 10 'Consolidated financial statements' replaces the guidance of control and consolidation in IAS 27 and SIC 32: Consolidation – special purpose entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single entity remains unchanged, as do the mechanics of the consolidation.
- IFRS 11 'Joint arrangements' requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement. Proportionate consolidation for joint ventures will be eliminated and equity accounting will be mandatory.
- IFRS 12: 'Disclosure of interests in other entities' requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structures entities.

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.

- IAS 32 'Financial instruments – presentation' (Amendment) – the amendment clarifies the offsetting criteria, specifically: when an entity currently has a legal right of set off; and when gross settlement is equivalent to net settlement.
- IAS 36 'Impairment of assets' (Amendment) – the amendments reverse the unintended requirement in IFRS 13 to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

In addition to the above, amendments to a number of standards under the annual improvements project to IFRS have been endorsed by the EU but not yet adopted. None of these amendments are expected to have a material impact on the Group's financial statements.

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 believe 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**	**53 weeks to 3 April 2015 Total £m**
Revenue	**875.1**	**150.3**	**1,025.4**
Segment result before non-recurring items	**85.4**	**4.1**	**89.5**
Non-recurring items	**(0.3)**	**–**	**(0.3)**
Segment result	**85.1**	**4.1**	**89.2**
Unallocated expenses[1]			**(1.9)**
Operating profit			**87.3**
Net financing expense			**(3.5)**
Profit before tax			**83.8**
Taxation			**(18.0)**
Profit for the year			**65.8**

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 £1.9m in respect of assets acquired through business combinations (2014: £1.7m).

Income statement	Retail £m	Car Servicing £m	52 weeks to 28 March 2014 Total £m
Revenue	803.1	136.6	939.7
Segment result before non-recurring items	75.2	4.3	79.5
Non-recurring items	(0.2)	–	(0.2)
Segment result	75.0	4.3	79.3
Unallocated expenses[1]			(1.7)
Operating profit			77.6
Net financing expense			(5.0)
Profit before tax			72.6
Taxation			(17.1)
Profit for the year			55.5

NOTES TO THE FINANCIAL STATEMENTS continued

1. OPERATING SEGMENTS CONTINUED

Other segment items:	Retail £m	Car Servicing £m	53 weeks to 3 April 2015 Total £m
Capital expenditure	30.7	6.8	37.5
Depreciation expense	16.4	3.8	20.2
Impairment charge (non-recurring)	0.7	–	0.7
Amortisation expense	3.6	–	3.6

Other segment items:	Retail £m	Car Servicing £m	52 weeks to 28 March 2014 Total £m
Capital expenditure	24.4	6.0	30.4
Depreciation expense	14.8	3.2	18.0
Impairment charge (non-recurring)	0.4	–	0.4
Amortisation expense	3.6	–	3.6

There have been no significant transactions between segments in the 53 weeks ended 3 April 2015 (2014: £nil).

2. OPERATING EXPENSES

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Selling and distribution costs	385.5	359.1
	385.5	359.1
Administrative expenses, before non-recurring items	73.2	67.3
Non-recurring administrative expenses	0.3	0.2
	73.5	67.5
	459.0	426.6

3. OPERATING PROFIT

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(income) as categorised by nature:		
Operating lease rentals:		
– plant and machinery	2.6	1.8
– property rents	91.6	90.0
– rentals receivable under operating leases	(4.2)	(5.0)
Landlord surrender payments	(2.8)	(3.4)
Loss on disposal of property, plant and equipment	1.7	2.1
Amortisation of intangible assets	5.5	5.3
Depreciation of:		
– owned property, plant and equipment	19.7	17.5
– assets held under finance leases	0.5	0.5
Impairment of property, plant and equipment	0.7	0.4
Trade receivables impairment	–	0.3
Staff costs (see note 4)	203.1	189.2
Cost of inventories consumed in cost of sales	470.2	422.2

The total fees payable by the Group to KPMG LLP and their associates during the period was £0.2m (2014: £0.2m), in respect of the services detailed below:

For the period	53 weeks to 3 April 2015 £'000	52 weeks to 28 March 2014 £'000
Fees payable for the audit of the Company's accounts	30	30
Fees payable to KPMG LLP and their associates for other services:		
The audit of the Company's subsidiary undertakings, pursuant to legislation	144	144
Other services supplied pursuant to such legislation	15	15
	189	189

4. STAFF COSTS

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
The aggregated remuneration of all employees including Directors comprised:		
Wages and salaries	**183.7**	173.0
Social security costs	**12.9**	11.6
Equity settled share-based payment transactions (note 22)	**1.4**	1.0
Contributions to defined contribution plans (note 24)	**5.1**	3.6
	203.1	189.2

	Number	Number
Average number of persons employed by the Group, including directors, during the period:		
Stores/Autocentres	**10,124**	10,697
Central warehousing	**375**	313
Support Centre	**722**	684
	11,221	11,694

Full details of Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 56 to 70 which form part of these financial statements.

KEY MANAGEMENT COMPENSATION

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Salaries and short-term benefits	**3.0**	2.5
Compensation for loss of office	**0.1**	0.2
Social security costs	**0.8**	0.6
Pensions	**0.3**	0.3
Share based payment charge	**0.5**	0.5
	4.7	4.1

Key management compensation includes the emoluments of the Board of Directors and the emoluments of the Halfords Limited and Halfords Autocentres management boards.

5. NON-RECURRING ITEMS

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Non-recurring operating expenses:		
Lease guarantee provision (a)	**(0.2)**	(0.2)
Onerous lease provision (b)	**(0.2)**	—
Impairment of Property, Plant and Equipment (c)	**0.7**	0.4
Non-recurring items before tax	**0.3**	0.2
Tax on non-recurring items (d)	**0.1**	0.1
Non-recurring items after tax	**0.4**	0.3

a. A non-recurring expense of £7.5m was incurred in 2011. This expense related to the creation of a provision for the potential liabilities arising from lease guarantees provided by Halfords prior to July 1989. The guarantees were provided to landlords of properties leased by Payless DIY (now part of Focus DIY) when both Halfords and Payless DIY were under ownership of the Ward White Group. Focus DIY entered into administration in May 2011. In the current year the continued settlement of the Group's guarantor obligations has resulted in a release of £0.2m (2014: £0.2m) of the original amounts provided. There is now no outstanding provision in relation to this issue.

b. A charge was incurred in prior periods relating to stores where the present value of expected future cash flows was deemed to be insufficient to cover the lower of cost of exit or value in use. During the current year a release of £0.2m occurred following the finalisation of an exit agreement for the Wembley store.

c. Impairment charge in respect of property, plant and equipment, in respect of the Stores Fit To Shop initiative, where the carrying amount of these assets has been deemed to exceed the recoverable amount.

d. The tax charge of £0.1m represents a tax rate of 21% applied to non-recurring items after adjusting for the non-deductibility of the asset impairment charge and settlements to release Halfords from its guarantor obligations under the leases. The prior period represents a tax charge at 23% on all current year non-recurring items adjusted for the non-deductibility of the asset impairment charge and settlements to release Halfords from its guarantor obligations under the leases.

NOTES TO THE FINANCIAL STATEMENTS continued

6. FINANCE INCOME AND COSTS

Recognised in profit or loss for the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Finance costs:		
Bank borrowings	(1.3)	(1.3)
Amortisation of issue costs on loans	(0.6)	(1.0)
Commitment and guarantee fees	(0.8)	(1.1)
Costs of forward foreign exchange contracts	(0.2)	(0.3)
Interest payable on finance leases	(0.7)	(0.7)
Other interest payable	–	(0.8)
Finance costs	(3.6)	(5.2)
Finance income:		
Bank and similar interest	0.1	0.2
Finance income	0.1	0.2
Net finance costs	(3.5)	(5.0)

7. TAXATION

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Current taxation		
UK corporation tax charge for the period	20.9	20.1
Adjustment in respect of prior periods	(1.8)	(0.7)
	19.1	19.4
Deferred taxation		
Origination and reversal of temporary differences	(1.5)	(1.8)
Adjustment in respect of prior periods	0.4	(0.5)
	(1.1)	(2.3)
Total tax charge for the period	18.0	17.1

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

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Profit before tax	83.8	72.6
UK corporation tax at standard rate of 21% (2014: 23%)	17.6	16.7
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	1.3	1.5
Employee share options	0.4	(0.5)
Other disallowable expenses	0.4	0.4
Adjustment in respect of prior periods	(1.4)	(1.2)
Impact of overseas tax rates	(0.4)	(0.5)
Impact of change in tax rate on deferred tax balance	0.1	0.7
Total tax charge for the period	18.0	17.1

A reduction in the UK corporation tax from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 3 April 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

In this financial period, the UK corporation tax rate was 21% (2014: 23%).

The effective tax rate of 21.5% (2014: 23.5%) is higher than the UK corporation tax rate principally due to the non-deductibility of depreciation charged on capital expenditure and other permanent differences arising in the period.

The tax charge on profit for the financial period was £18.0m (2014: £17.1m), including a £0.1m charge (2014: £0.1m charge) in respect of tax on non-recurring items.

7. TAXATION CONTINUED

An income tax charge of £1.2m (2014: £0.8m 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 and 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 to the UK Exchequer from both taxes paid and collected exceeded £149.0m (2014: £157.9m) with the main taxes including corporation tax £16.1m (2014: £35.4m), net VAT £53.1m (2014: 49.8m), PAYE £19.8m (2014: £17.1m), employees national insurance contributions £10.0m (2014: £8.8m), employers national insurance contributions £13.0m (2014: £11.2m) and business rates £37.0m (2014: £35.6m).

8. DIVIDENDS

For the period	**53 weeks to 3 April 2015 £m**	52 weeks to 28 March 2014 £m
Equity — ordinary shares		
Final for the 52 weeks to 28 March 2014 — paid 9.10p per share (2014: 9.10p)	**17.7**	17.6
Interim for the 53 weeks to 3 April 2015 — paid 5.50p per share (2014: 5.20p)	**10.7**	10.1
	28.4	27.7

In addition, the directors are proposing a final dividend in respect of the financial period ended 3 April 2015 of 11.00p per share (2014: 9.10p per share), which will absorb an estimated £21.4m (2014: £17.7m) of shareholders' funds. It will be paid on 28 August 2015 to shareholders who are on the register of members on 7 August 2015.

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 21) 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 53 weeks to 3 April 2015.

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

For the period	**53 weeks to 3 April 2015 Number of shares m**	52 weeks to 28 March 2014 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)	**(4.9)**	(5.1)
Weighted average number of shares for calculating basic earnings per share	**194.2**	194.0
Weighted average number of dilutive shares	**3.2**	2.9
Total number of shares for calculating diluted earnings per share	**197.4**	196.9

For the period	**53 weeks to 3 April 2015 £m**	52 weeks to 28 March 2014 £m
Basic earnings attributable to equity shareholders	**65.8**	55.5
Non-recurring items (see note 5):		
Operating expenses	**0.3**	0.2
Tax on non-recurring items	**0.1**	0.1
Underlying earnings before non-recurring items	**66.2**	55.8

Earnings per share is calculated as follows:

For the period	**53 weeks to 3 April 2015**	52 weeks to 28 March 2014
Basic earnings per ordinary share	**33.8p**	28.6p
Diluted earnings per ordinary share	**33.3p**	28.2p
Basic earnings per ordinary share before non-recurring items	**34.1p**	28.8p
Diluted earnings per ordinary share before non-recurring items	**33.5p**	28.4p

NOTES TO THE FINANCIAL STATEMENTS continued

10. ACQUISITION OF SUBSIDIARY

On 4 June 2014 the Group acquired 100% of the issued share capital of Boardman Bikes Limited and Boardman International Limited for cash consideration of £14.7m (excluding transaction costs). The two Boardman companies retail cycles and cycle accessories under the brand name 'cBoardman' nationally and internationally. The purpose of this acquisition was to benefit from operating synergies. This transaction has been accounted for using the acquisition method of accounting.

The acquisition had the following effect on the Group's assets and liabilities:

	Book value £m	Fair value adjustment £m	Final fair value £m
Boardman net assets at the acquisition date			
Intangible assets	0.2	(0.2)	–
Inventories	0.7	–	0.7
Trade and other receivables	3.7	(0.4)	3.3
Cash	0.7	–	0.7
Trade and other payables	(3.0)	–	(3.0)
Current tax liabilities	(0.2)	–	(0.2)
Boardman net assets	**2.1**	**(0.6)**	**1.5**

GOODWILL

Goodwill was recognised as a result of the acquisition as follows:

	£m
Total consideration	14.7
Less fair value of identifiable assets	(1.5)
Goodwill and intangible assets	**13.2**
Brand name intangible	3.1
Deferred tax liability	(0.6)
Goodwill	**10.7**

The goodwill arising on the acquisition of the Boardman business 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. None of the goodwill is expected to be deductible for income tax purposes.

The fair value adjustments relate to the best estimate of the contractual trade receivable cash flows not expected to be collected and aligning intangible asset policies with the Halfords Group.

The Boardman business contributed £2.4m revenue and a loss of £0.3m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date. The Retail segment has benefited by £1.7m due to the change in royalty arrangements following acquisition.

If the acquisition of the Boardman business had been completed on the first day of the financial year, Group revenues for the period would have been £2.2m higher and Group profit attributable to equity holders of the parent would have been £0.1m higher (pre amortisation of intangible assets arising on consolidation).

11. INTANGIBLE ASSETS

	Brand names and trademarks £m	Customer relationships £m	Favourable leases £m	Computer software £m	Goodwill £m	Total £m
Cost						
At 29 March 2013	1.1	14.9	2.3	15.5	344.5	378.3
Additions	—	—	—	5.3	—	5.3
Disposals	—	—	—	(1.9)	—	(1.9)
At 28 March 2014	1.1	14.9	2.3	18.9	344.5	381.7
Additions	3.1	—	—	7.5	10.7	21.3
Disposals	—	—	—	(0.7)	—	(0.7)
Transfer to tangible assets	—	—	—	(0.6)	—	(0.6)
At 3 April 2015	**4.2**	**14.9**	**2.3**	**25.1**	**355.2**	**401.7**
Amortisation						
At 29 March 2013	1.1	5.3	0.2	7.8	21.7	36.1
Charge for the period	—	1.6	0.1	3.6	—	5.3
Disposals	—	—	—	(1.9)	—	(1.9)
At 28 March 2014	1.1	6.9	0.3	9.5	21.7	39.5
Charge for the period	0.2	1.6	0.1	3.6	—	5.5
Disposals	—	—	—	(0.1)	—	(0.1)
At 3 April 2015	**1.3**	**8.5**	**0.4**	**13.0**	**21.7**	**44.9**
Net book value at 3 April 2015	**2.9**	**6.4**	**1.9**	**12.1**	**333.5**	**356.8**
Net book value at 28 March 2014	—	8.0	2.0	9.4	322.8	342.2

No intangible assets are held as security for external borrowings.

Included in computer software are internally generated assets of £nil (2014: £0.3m). Product rights of £0.2m, which are fully amortised, have been included within Brand names and trademarks.

Goodwill of £253.1m (2014: £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 a group of cash-generating units known as Boardman Bikes.

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 recoverable amount of goodwill is determined based on "value-in-use" calculations for each of the three groups of cash-generating units, being Retail, Car Servicing and Boardman Bikes. 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. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period with growth no higher than past experience and after consideration of all available information, incorporating the strategies and risks of each segment.

The value-in-use of the goodwill held at 3 April 2015 and 28 March 2014 is driven by, and is most sensitive to, the key assumptions underlying the Group cash-generating units recoverable amounts as follows:

		Retail		Car Servicing	
	Note	**2015**	2014	**2015**	2014
Discount rate	1	**7.3%**	7.9%	**8.3%**	10.3%
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 three year budget period.

The directors are confident that a reasonably possible change in the key assumptions, including a +/- 1.0% change in the discount rate, would not cause the carrying amounts to exceed the recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS continued

12. TANGIBLE ASSETS

	Land and buildings £m	Fixtures, fittings and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost				
At 29 March 2013	59.2	246.1	1.0	306.3
Additions	4.5	19.4	1.2	25.1
Disposals	(0.7)	(100.3)	–	(101.0)
Reclassifications	–	0.7	(0.7)	–
At 28 March 2014	63.0	165.9	1.5	230.4
Additions	6.0	24.0	–	30.0
Disposals	(1.9)	(5.9)	–	(7.8)
Reclassifications	0.2	1.3	(1.5)	–
Transfer from intangible assets	–	0.6	–	0.6
At 3 April 2015	**67.3**	**185.9**	**–**	**253.2**
Depreciation				
At 29 March 2013	28.0	187.7	–	215.7
Depreciation for the period	4.2	13.8	–	18.0
Impairment charge	–	0.4	–	0.4
Disposals	(0.5)	(98.4)	–	(98.9)
At 28 March 2014	31.7	103.5	–	135.2
Depreciation for the period	4.5	15.7	–	20.2
Impairment charge	–	0.7	–	0.7
Disposals	(1.6)	(5.1)	–	(6.7)
At 3 April 2015	**34.6**	**114.8**	**–**	**149.4**
Net book value at 3 April 2015	**32.7**	**71.1**	**–**	**103.8**
Net book value at 28 March 2014	31.3	62.4	1.5	95.2

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 3 April 2015			
Cost	12.7	0.8	13.5
Additions	–	0.6	0.6
Accumulated depreciation	(5.6)	(0.8)	(6.4)
Net book value	**7.1**	**0.6**	**7.7**
As at 28 March 2014			
Cost	12.7	0.8	13.5
Accumulated depreciation	(5.1)	(0.8)	(5.9)
Net book value	7.6	–	7.6

1. Relates to the Halfords support centre building lease, which expires in 2028.

Finance lease liabilities are payable as follows:

	Minimum lease payments 2015 £m	Interest 2015 £m	Principle 2015 £m	Minimum lease payments 2014 £m	Interest 2014 £m	Principle 2014 £m
Less than one year	**1.4**	**0.8**	**0.6**	1.1	0.8	0.3
Between one and five years	**5.1**	**2.4**	**2.7**	4.5	2.4	2.1
More than five years	**10.2**	**2.3**	**7.9**	11.3	2.8	8.5
	16.7	**5.5**	**11.2**	16.9	6.0	10.9

13. INVENTORIES

	2015 £m	2014 £m
Finished goods for resale	149.3	150.2

Finished goods inventories include £22.4m (2014: £19.6m) 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 £12.1m was recognised as an expense in respect of the write down of inventories (2014: £11.2m) to net realisable value. No inventories are held as security for external borrowings.

14. TRADE AND OTHER RECEIVABLES

	2015 £m	2014 £m
Falling due within one year:		
Trade receivables	15.9	16.5
Less: provision for impairment of receivables	(0.4)	(0.2)
Trade receivables — net	15.5	16.3
Other receivables	7.9	5.6
Prepayments and accrued income	32.4	30.9
	55.8	52.8

During the period the Group charged the provision with £0.1m (2014: £0.3m) for the impairment of trade receivables and utilised £nil (2014: £0.6m).

The following table shows the age of financial assets that are past due and for which no provision for bad or doubtful debts has been raised:

	2015 £m	2014 £m
Neither past due nor impaired	14.3	16.7
Past due by 1–30 days	2.1	1.5
Past due by 31–90 days	1.4	0.8
Past due by 91–180 days	0.6	1.4
Past due by more than 180 days	—	0.2
	18.4	20.6

The Group does not have any individually significant customers and so no significant concentration of credit risk.

Based on historic default rates and extensive analysis of the underlying customers' credit ratings, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Financial assets in the scope of IAS 39 include all trade receivables and £2.9m (2014: £4.3m) of other receivables.

15. CASH AND CASH EQUIVALENTS

	2015 £m	2014 £m
Cash at bank and in hand	22.4	5.3

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.

NOTES TO THE FINANCIAL STATEMENTS continued

16. BORROWINGS

Current	2015 £m	2014 £m
Unsecured bank overdraft	22.3	10.0
Finance lease liabilities	0.6	0.3
	22.9	10.3
Non-current		
Unsecured bank loan and other borrowings[1]	50.7	84.0
Finance lease liabilities	10.6	10.6
	61.3	94.6

1. The above borrowings are stated net of unamortised issue costs of £2.3m (2014: £2.0m).

The Group's current debt facility came into effect from 14 November 2014 and is a five-year £170m revolving credit facility starting from that date. 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 125 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 as mentioned below.

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:

	2015 £m	2014 £m
Expiring within 1 year	20.0	1.0
Expiring between 1 and 2 years	—	—
Expiring between 2 and 5 years	97.0	114.0
	117.0	115.0

The overdraft facility expiring within one year is an annual facility subject to review at various dates during the period. The facility of £117.0m (2014: £114.0m) relates to the Group's revolving credit facility. All these facilities incurred commitment fees at market rates.

17. TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
Current liabilities		
Trade payables	107.8	79.4
Other taxation and social security payable	15.7	13.4
Other payables	9.7	15.0
Deferred income — lease incentives	3.9	3.7
Accruals and other deferred income	44.3	48.0
	181.4	159.5
Non-current liabilities		
Deferred income — lease incentives	31.5	28.8

18. PROVISIONS

	Property related £m	Other trading £m	Total £m
At 28 March 2014	9.7	8.6	18.3
Charged during the period	2.3	5.9	8.2
Utilised during the period	(1.1)	(5.6)	(6.7)
Released during the period	(0.7)	(0.3)	(1.0)
At 3 April 2015	10.2	8.6	18.8
Analysed as:			
Current liabilities	7.6	3.0	10.6
Non-current liabilities	2.6	5.6	8.2

Property related provisions consist of costs associated with vacant property, rent reviews and dilapidations. Also included are prior period non-recurring costs (note 5) relating to liabilities in respect of previous assignments of leases where the lessee has entered into administration subsequent to the period end. In the current year a finalisation of the Group's guarantor obligations in respect of the Focus DIY stores has resulted in a release of £0.2m (2014: £0.2m) of the original amounts provided. The provision in relation to these Focus DIY stores is now nil.

Other trading provisions comprise a sales returns provision and a provision for the costs associated with the cessation of the standalone cycle concept 'BikeHut', including 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 29 March 2013	(1.0)	3.6	0.6	(2.9)	0.3
Credit to the income statement	0.9	0.3	0.5	0.7	2.4
Credit to other comprehensive income	—	0.8	—	—	0.8
Credit to equity	—	—	0.9	—	0.9
At 28 March 2014	(0.1)	4.7	2.0	(2.2)	4.4
Credit/(charge) to the income statement	1.1	—	(0.3)	0.4	1.2
Charge to other comprehensive income	—	(1.2)	—	—	(1.2)
Acquisition of subsidiary	—	—	—	(0.6)	(0.6)
Credit to equity	—	—	0.3	—	0.3
At 3 April 2015	**1.0**	**3.5**	**2.0**	**(2.4)**	**4.1**

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:

	3 April 2015 £m	28 March 2014 £m
Deferred tax assets	**6.5**	6.7
Deferred tax liabilities	**(2.4)**	(2.3)
	4.1	4.4

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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.

The key risks that the Group faces from a treasury perspective are as follows:

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.

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 £0.5m (2014: £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 balance sheet.

NOTES TO THE FINANCIAL STATEMENTS continued

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES CONTINUED

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 debt ratios. These ratios are net debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") and fixed charge cover. Fixed charge cover is calculated as being EBITDA plus operating lease charges as a multiple of interest and operating lease charges. The Group also uses a ratio of lease adjusted net debt to EBITDA; this is calculated as being net debt and leases capitalised at eight times, as a multiple of EBITDA plus operating lease charges.

FAIR VALUE DISCLOSURES

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.

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.

The fair value of financial assets and liabilities are as follows:

	2015 £m	2014 £m
Cash and cash equivalents	22.4	5.3
Loans and receivables	18.4	20.6
Forward exchange contracts used for hedging (assets)	3.9	—
Total financial assets	44.7	25.9
Trade and other payables — held at amortised cost	(157.6)	(135.7)
Borrowings at amortised cost	(53.0)	(86.0)
Finance leases	(11.2)	(10.9)
Forward exchange contracts used for hedging (liabilities)	(0.1)	(2.1)
Total financial liabilities	(221.9)	(234.7)

Trade and other payables within the scope of IAS 39 include all trade payables, all other payables and £40.1m (2014: £41.3m) of accruals and deferred income.

CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was £44.7m (2014: £25.9m) as detailed in the table above.

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.

During the 53 weeks to 3 April 2015, the foreign exchange management policy was to hedge via forward contract purchase between 75% and 80% 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.

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES CONTINUED

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	3 April 2015		28 March 2014	
	USD £m	**Other £m**	USD £m	Other £m
Cash and cash equivalents	**6.4**	**1.0**	0.3	0.5
Trade and other payables	**(19.7)**	**(0.7)**	(19.3)	—
	(13.3)	**0.3**	(19.0)	0.5

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.

	2015 Increase/ (decrease) in equity £m	2014 Increase/ (decrease) in equity £m
10% appreciation of the US dollar	**13.0**	9.2
10% depreciation of the US dollar	**(4.0)**	(7.6)

A strengthening/weakening of Sterling, as indicated, against the USD at 3 April 2015 would have (decreased)/increased 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.

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 £140m of the £170m 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 amend and extend agreement (November 2014). Ancillary business is currently being tendered with the five banks within the new banking group. Following the completion of the amend and extend agreement, at the year-end the banks within this new group maintained a credit rating of A- or above, in line with Treasury policy. The counterparty credit risk is reviewed in the Treasury report, which is forwarded to the Treasury Committee and the Treasurer reviews credit exposure on a daily basis.

The risk is measured through review of forecast liquidity each month by the Treasurer 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 bi-annually 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 12. 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:

	3 April 2015 Bank borrowings £m	28 March 2014 Bank borrowings £m
Due less than one year	**1.5**	2.4
Expiring between 1 and 2 years	**1.5**	2.2
Expiring between 2 and 5 years	**57.0**	89.6
Expiring after 5 years	**—**	—
Contractual cash flows	**60.0**	94.2
Carrying amount	**50.7**	84.0

NOTES TO THE FINANCIAL STATEMENTS continued

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES CONTINUED

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 3 April 2015 (28 March 2014).

	2015		2014	
	Receivables £m	**Payables £m**	Receivables £m	Payables £m
Due less than one year	**78.5**	**(74.8)**	83.2	(85.3)
Due between 1 and 2 years	**6.0**	**(5.9)**	—	—
Contractual cash flows	**84.5**	**(80.7)**	83.2	(85.3)
Fair value	**3.9**	**(0.1)**	—	(2.1)

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:	**2015 Number of shares**	**2015 £000**	2014 Number of shares	2014 £000
Allotted, called up and fully paid	**199,063,222**	**1,991**	199,063,222	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.

During the current period there has been no movement in the Company's share capital (2014: no movement). Share premium has remained at £151.0m (2014: £151.0m) as a result of there being no transactions.

In total the Company received proceeds of £0.7m (2014: £2.1m) from the exercise of share options.

INVESTMENT IN OWN SHARES

At 3 April 2015 the Company held in Trust 4,745,633 (2014: 5,017,202) of its own shares with a nominal value of £47,456 (2014: £50,172). 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 3 April 2015 was £21.7m (2014: £23.1m). In the current period nil (2014: 1,014,456) were repurchased and transferred into the Trust, with 271,569 (2014: 649,064) 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 four share award plans, all of which are equity-settled schemes:

1. HALFORDS COMPANY SHARE OPTION SCHEME ('CSOS')

The CSOS was introduced in June 2004 and the Company has made annual grants since. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years.

Options granted will become 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.

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. HALFORDS SHARESAVE SCHEME

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

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

22. SHARE BASED PAYMENTS CONTINUED

3. 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.

The extent to which such rights vest will depend upon the Company's performance over the three-year period following the award date. The vesting of 50% of the awards will be determined by the Company's relative total shareholder return ("TSR") performance and the vesting of the other 50% by the Company's absolute EPS performance against RPI. The Company's TSR performance will be measured against the FTSE 350 general retailers as a comparator group. No retesting will be permitted.

The TSR element of the options granted under the schemes has been valued using a model developed by Deloitte. The Deloitte model uses the Group's share price volatility, the correlation between comparator companies and the vesting schedule attaching to the PSP tranche rather than generating a large number of simulations of share price and TSR performance to determine the fair value of the award using a Monte Carlo model.

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. This is in line with best practice as contained in the ABI guidelines on executive remuneration. Following this recommendation the shares awarded in 2011, 2012 and 2013 under the Performance Share Plan earned final dividends of 9.1p per share and were reinvested in shares at a cost of £4.82 per share. Shares awarded in 2012, 2013 and 2014 under the PSP earned interim dividends of 5.5p per share and were reinvested in shares at a cost of £4.59 per share.

Changes to the performance criteria of the PSP in relation to the awards granted during the prior year were made by the Remuneration Committee. These changes were made in order to create better alignment with the Company's three-year strategic priorities following the Getting Into Gear programme. The awards are weighted 25% towards Group revenue growth targets and 75% towards Group EBITDA growth targets. The core award remains at 150% of base salary with a multiplier being introduced of 1.5x the core award if exceptional levels of performance are achieved. The shares vesting as part of this multiplier calculation will attract a retention period of two years. In order to focus management the awards will be underpinned by a minimum Group EBITDA, and a net debt to EBITDA ratio no greater than 1.5x throughout the three-year performance period.

4. CO-INVESTMENT SHARE PLAN

In 2012 the Company adopted the Halfords Group plc 2012 Co-Investment Plan. This plan was adopted for the sole purpose of making a one-off award to the Group's new CEO. No further awards either to the Group's CEO or other executives will be made under this plan.

On 4 October 2012 the new CEO purchased 164,056 Halfords Group plc shares at a price of 302.22 pence per share and will be entitled to receive Matching Shares equivalent to a maximum of 3.5 times this investment. Subject to continued employment these shares may vest up to a third in November 2015, up to two thirds in November 2016 and in full in November 2017, depending on the following Threshold (30% vesting) and Maximum (100% vesting) share price performance by Halfords:

November	Threshold	Maximum
2015	350p	400p
2016	385p	440p
2017	425p	485p

Matching Shares have been granted in the form of nil cost options, with the participant having until the tenth anniversary of the date of grant to exercise the options, and will lapse on a pro-rata basis if the required number of Investment Shares is not retained to the final vesting date.

At each relevant vesting date the participant may decide to exercise any portion of the award that has vested based on the performance at that time (in which case any unvested shares in that tranche in respect of which the share price target has not been met will lapse) or roll forward that tranche in full subject to performance testing at the next vesting date. In the latter case the participant will forfeit the right to exercise any awards that had become capable of vesting at the earlier vesting date.

The Participant will be entitled to receive an amount equivalent to the dividends that would have been paid either in cash or on a re-invested basis in shares during the period from grant to exercise in respect of the number of Matching Shares that vest.

The Barrier Black–Scholes Model is an adapted Black–Scholes Model and is used to calculate the estimated fair values of the Co-Investment Plan Options to include the impact of the share price based performance conditions. Using this method the fair value of the options at the time of grant was estimated to be £1.35 per share.

The CEO left the Group on 30 April 2015 and so the share option charges made to date have been reversed. There are currently no options in circulation in relation to this Plan.

The Group Income Statement charge recognised in respect of share-based payments for the current period is £1.4m (2014: £1.0m).

The following tables reconcile the number of share options outstanding and the weighted average exercise price (WAEP) for all share award plans except for the Co-Investment Plan, details of which are covered above.

NOTES TO THE FINANCIAL STATEMENTS continued

22. SHARE BASED PAYMENTS CONTINUED

FOR THE PERIOD ENDED 3 APRIL 2015

	CSOS		SAYE		PSP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of year	4,765	2.96	2,479	1.88	1,878	0.00
Granted	1,513	4.69	671	3.82	676	0.00
Shares representing dividends reinvested	—	—	—	—	52	0.00
Forfeited	—	—	—	—	(75)	0.00
Exercised	(78)	3.23	(193)	2.32	–	0.00
Lapsed	(822)	2.96	(354)	2.76	(453)	0.00
Outstanding at end of year	5,378	3.45	2,603	2.23	2,078	0.00
Exercisable at end of year	342	3.36	—	—	—	0.00
Exercise price range (£)		2.20 to 5.03		1.56 to 3.82		0.00
Weighted average remaining contractual life (years)		7.9		1.0		1.3

FOR THE PERIOD ENDED 28 MARCH 2014

	CSOS		SAYE		PSP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of year	5,191	3.10	2,351	1.76	1,216	0.00
Granted	1,780	3.71	543	2.54	748	0.00
Shares representing dividends reinvested	—	—	—	—	58	0.00
Forfeited	—	—	(65)	2.27	(144)	0.00
Exercised	(614)	3.22	(35)	2.37	—	0.00
Lapsed	(1,592)	4.35	(315)	1.90	—	0.00
Outstanding at end of year	4,765	2.96	2,479	1.88	1,878	0.00
Exercisable at end of year	485	3.25	62	4.15	—	0.00
Exercise price range (£)		2.20 to 5.03		1.56 to 4.15		0.00
Weighted average remaining contractual life (years)		8.0		1.4		1.5

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

	53 weeks to 3 April 2015			52 weeks to 28 March 2014		
Grant date	CSOS	SAYE	PSP	CSOS	SAYE	PSP
Share price at grant date	4.79	4.83	4.79	3.66	3.70	3.66
Exercise price	4.69	3.82	0.00	3.71	2.54	0.00
Expected volatility	34%	35%	36%	36%	35%	36%
Option life (years)	10	3	3	10	3	3
Expected life (years)	4.85	3.5	3	4.85	3.5	3
Risk free rate	1.86%	1.56%	—	1.34%	0.81%	—
Expected dividend yield	2.99%	2.96%	—	4.67%	4.63%	—
Probability of forfeiture	33%	44%	30%	33%	44%	30%
Weighted average fair value of options granted	£1.15	£1.40	£4.79	£0.72	£1.11	£3.66

As the PSP 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.

23. COMMITMENTS

	2015 £m	2014 £m
Capital expenditure: Contracted but not provided	0.9	0.4

At 3 April 2015, the Group was committed to making payments in respect of non-cancellable operating leases in the following periods:

	Land and buildings 2015 £m	Other assets 2015 £m	Land and buildings 2014 £m	Other assets 2014 £m
Within one year	76.9	2.8	81.2	2.1
Later than one year and less than five years	294.8	4.9	271.6	3.7
After five years	265.4	0.4	266.1	—
	637.1	8.1	618.9	5.8

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 £4.2m (2014: £5.0m).

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 £5.1m (2014: £3.6m).

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 3 April 2015 amounted to £3.9m (2014: £5.3m).

The Group's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies.

Following the judgment passed by an Employment Appeal Tribunal on 4 November 2014 regarding the inclusion of overtime in holiday pay calculations, the Group has a potential liability for any claims made by employees for underpayment of holiday pay. Given the unclear ruling regarding retrospective / prospective application of the ruling (and the likelihood of appeal), no charge has been made for this potential liability in the year. Given the lack of clarity, at this moment in time no accurate estimate can be made.

26. RELATED PARTY TRANSACTIONS

SUBSIDIARY UNDERTAKINGS

The Groups ultimate parent company is Halfords Group plc. A listing of all principal trading subsidiary undertakings is shown within the financial statements of the Company on pages 106 to 111.

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 56 to 70. Key management compensation is disclosed in note 4.

Directors of the Company control 0.14% 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.

28. POST BALANCE SHEET EVENTS

On the 13 April 2015 the Group announced the resignation of its Chief Financial Officer, Andrew Findlay, with a leaving date of the end of October 2015.

COMPANY BALANCE SHEET

	Notes	3 April 2015 £m	28 March 2014 £m
Fixed assets			
Investments	4	16.5	295.4
Current assets			
Debtors falling due within one year	5	648.3	78.3
Debtors falling due after one year	5	–	278.6
Cash and cash equivalents		2.5	1.8
		650.8	358.7
Creditors: amounts falling due within one year	6	(260.8)	(0.2)
Net current assets		390.0	358.5
Creditors: amounts falling due after more than one year	6	(50.7)	(326.4)
Net assets		355.8	327.5
Capital and reserves			
Called up share capital	8	2.0	2.0
Share premium account	9	151.0	151.0
Investment in own shares	9	(13.6)	(14.3)
Capital redemption reserve	9	0.3	0.3
Profit and loss account	9	216.1	188.5
Total shareholders' funds		355.8	327.5

The notes on pages 109 to 111 are an integral part of the Company's financial statements.

The Company has elected to prepare its financial statements under UK GAAP and the accounting policies are outlined on page 108.

The financial statements on pages 106 to 107 were approved by the Board of Directors on 4 June 2015 and were signed on its behalf by:

Andrew Findlay
Chief Financial Officer

Company number: 04457314

RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Profit for the period	6.6	21.2
Shares options exercised	0.7	2.1
Purchase of own shares	—	(3.2)
Employee share options	1.4	1.0
Dividends	(28.4)	(27.7)
Distribution in-specie	48.0	—
Net increase/(decrease) in total shareholders' funds	28.3	(6.6)
Opening total shareholders' funds	327.5	334.1
Closing total shareholders' funds	355.8	327.5

ACCOUNTING POLICIES

BASIS OF PREPARATION

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 53 weeks to 3 April 2015, whilst the comparative period covered the 52 weeks to 28 March 2014. 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.

A consolidated cash flow statement has been included in the Halfords Group plc consolidated accounts. The Company has therefore taken advantage of the exemption under FRS 1 (revised 1996) “Cash flow statements” not to produce a cash flow statement.

EBT’s are accounted for under UITF 32 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.

The Company has taken the available exemption not to provide disclosures required by FRS 29 “Financial instruments: disclosures”.

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 UITF Abstract 44 ‘FRS 20 (IFRS 2) – 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 financial profit of £6.6m (52 week period to 28 March 2014: £21.2m). 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 period are detailed in note 3 to the Group financial statements. In the 53 weeks to 3 April 2015 the Company expensed £nil (2014: £nil) in fees relating to KPMG LLP.

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 56 to 70 which forms part of the audited information.

4. INVESTMENTS

	£m
Shares in Group undertaking	
Cost	
As at 28 March 2014	295.4
Additions — share based payments	1.4
Distribution in-specie (a)	(280.3)
At 3 April 2015	**16.5**

(a) During the year the Company received a dividend in-specie, being a receivable due from another group company, which is not expected to be settled in the near future. As a result the value of the Company's investment in the IreCo 1 company (wound up during the year) fell below the amount at which it was stated in the Company's accounting records. Schedule 1 to the Companies Act 2006, The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the Directors consider that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit and loss account for the year and the cost of the investment of £280.3m should instead be re-allocated to the carrying amount of the Company's receivable, so as to recognise in the Company's individual balance sheet the effective cost to the company of the receivable. Given that the receivable has a fair value of £328.3m, the company has recognised an unrealised gain of £48.0m through the Statement of Recognised Gains and Losses ('STRGL'). The effect of this departure is to increase the holding company's total recognised gains for the financial year and the carrying amount of the receivable in the holding company's balance sheet by £280.3m. The Group financial statements are not affected by this transfer.

During FY14 the Group began an exercise in order to restructure the underlying companies of the Group. During the year this exercise led to a distribution in-specie of discounted loan notes from Halfords Ireco 1 Limited to Halfords Group plc. The following subsidiaries have now been wound up: Halfords Holdings (Jersey) 1 Limited; Halfords Holdings (Jersey) 2 Limited; Halfords Holdings (Jersey) 3 Limited; Halfords Finco (Jersey) Limited; The Halfords Group plc Discretionary Trust; The Halfords Payment Services Limited Discretionary Trust; Halfords Ireco 1 Limited; and Halfords Ireco 2 Limited.

The investments represent shares in the following subsidiary undertakings as at 3 April 2015 and the fair value of share based compensation plans that are awarded to employees of the Company's subsidiary undertakings. The Company has taken advantage of Section 410(2) of the Companies Act 2006 to list only its principal subsidiary and associated undertakings at April 2015. All of these are wholly owned by the Company or its subsidiary undertakings, registered in England and Wales, and operate predominantly in the United Kingdom unless otherwise stated.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

4. INVESTMENTS CONTINUED

PRINCIPAL SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings of the Company at 3 April 2015 are as follows:

Subsidiary undertaking	Principal activity	% Ownership of ordinary equity shares
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 Investments (2010) LP**	Intermediate holding partnership	–
Halfords Autocentres Holdings Limited*	Intermediate holding company	100
Halfords Autocentres Limited*	Car servicing	100
Boardman Bikes Limited*	Cycle design	100
Boardman International Limited*	Cycle design and cycle sales	100

* Shares held indirectly through subsidiary undertakings
** Wholly owned indirectly through subsidiary undertakings

All subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. The only subsidiaries to trade during the year were Halfords Limited and Halfords Autocentres Limited.

5. DEBTORS

	2015 £m	2014 £m
Falling due within one year:		
Amounts owed by Group undertakings	648.3	78.3
	648.3	78.3
Falling due after more than one year:		
Amounts owed by Group undertakings	–	278.6

Amounts owed by Group undertakings are subject to interest. At 3 April 2015 the amounts bear interest at a rate of 1.75% (2014: 4.83%). During the year the intercompany interest rate was reset in order to better reflect the cost of borrowing as stated under the terms of the Group borrowing facility.

6. CREDITORS

	2015 £m	2014 £m
Falling due within one year:		
Bank borrowings (note 7)	16.5	–
Accruals and deferred income	244.3	0.2
	260.8	0.2
Falling due after more than one year:		
Bank borrowings (note 7)	50.7	84.0
Amounts owed to Group undertakings:	–	242.4
	50.7	326.4

7. BORROWINGS

	2015 £m	2014 £m
Current		
Unsecured overdraft	16.5	–
Non-current		
Expiring between two and five years	50.7	84.0
	67.2	84.0

The above borrowings are stated net of unamortised issue costs of £2.3m (2014: £2.0m).

Details of the Company's borrowing facilities are in note 16 of the Group's financial statements.

8. EQUITY SHARE CAPITAL

Ordinary shares of 1p each:	2015 Number of shares	2015 £000	2014 Number of shares	2014 £000
Allotted, called up and fully paid	**199,063,222**	**1,991**	199,063,222	1,991

During the current period there has been no movement in the Company's share capital (2014: no movement). Share premium has remained at £151.0m (2014: £151.0m) as a result of there being no transactions.

In total the Company received proceeds of £0.7m (2014: £2.1m) from the exercise of share options.

POTENTIAL ISSUE OF ORDINARY SHARES

The Company has three employee share option schemes, which were set up following the Company's flotation. Further information regarding these schemes can be found in note 22 of the Group's financial statements.

INTEREST IN OWN SHARES

At 3 April 2015 the Company held in Trust 4,745,633 (2014: 5,017,202) of its own shares with a nominal value of £47,456 (2014: £50,172). 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 3 April 2015 was £21.7m (2014: £23.1m).

9. RESERVES

	Share premium account £m	Investment in own shares £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 28 March 2014	151.0	(14.3)	0.3	188.5	325.5
Profit for the financial period	—	—	—	6.6	6.6
Share options exercised	—	0.7	—	—	0.7
Share-based payment transactions	—	—	—	1.4	1.4
Distribution in-specie	—	—	—	48.0	48.0
Dividends	—	—	—	(28.4)	(28.4)
At 3 April 2015	**151.0**	**(13.6)**	**0.3**	**216.1**	**353.8**

The Company settled dividends of £28.4m (2014: £27.7m) in the period, as detailed in note 8 of the Group's financial statements.

The Company has recognised an unrealised gain of £48.0m through the Statement of Recognised Gains and Losses following the receipt of a dividend in specie. Further details are provided in note 4.

Included in the profit and loss account is £166m of reserves that are not distributable (2014: £118m).

10. RELATED PARTY DISCLOSURES

Under FRS 8 "Related party disclosures" the Company is exempt from disclosing related party transactions with entities over 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 3 April 2015 amounted to £3.9m (2014: £5.3m).

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 1 April 2011 (audited) £m	52 weeks to 30 March 2012 (audited) £m	52 weeks to 29 March 2013 (audited) £m	52 weeks to 28 March 2014 (audited) £m	**52 weeks to 27 March 2015 (proforma)* £m**
Revenue	869.7	863.1	871.3	939.7	**1,004.9**
Cost of sales	(384.7)	(390.3)	(394.2)	(435.5)	**(469.8)**
Gross profit	485.0	472.8	477.1	504.2	**535.1**
Operating expenses	(364.4)	(373.7)	(400.0)	(426.4)	**(450.5)**
Operating profit before non-recurring items	128.1	97.2	78.1	77.8	**84.6**
Non-recurring operating expenses	(7.5)	1.9	(1.0)	(0.2)	**(0.3)**
Operating profit	120.6	99.1	77.1	77.6	**84.3**
Net finance costs	(2.5)	(5.0)	(6.1)	(5.0)	**(3.5)**
Profit before tax and non-recurring items	125.6	92.2	72.0	72.8	**81.1**
Non-recurring operating expenses	(7.5)	1.9	(1.0)	(0.2)	**(0.3)**
Profit before tax	118.1	94.1	71.0	72.6	**80.8**
Taxation	(34.7)	(24.8)	(18.2)	(17.0)	**(17.4)**
Taxation on non-recurring items	2.1	(0.9)	(0.1)	(0.1)	**(0.1)**
Profit attributable to equity shareholders	85.5	68.4	52.7	55.5	**63.3**
Basic earnings per share	40.7p	34.2p	27.2p	28.6p	**32.5p**
Basic earnings per share before non-recurring items	43.2p	33.7p	27.7p	28.8p	**32.7p**
Weighted average number of shares	210.4m	199.9m	194.3m	194.0m	**194.2m**

KEY PERFORMANCE INDICATORS

	52 weeks to 1 April 2011	52 weeks to 30 March 2012	52 weeks to 29 March 2013	52 weeks to 28 March 2014	**52 weeks to 27 March 2015**
Revenue growth	+4.6%	-0.8%	+1.0%	+7.9%	**+6.9%**
Gross margin	55.8%	54.8%	54.8%	53.7%	**53.2%**
Operating margin	13.9%	11.5%	8.8%	8.3%	**8.4%**
Underlying Group EBITDA	£153.2m	£123.6m	£103.4m	£101.1m	**£109.9m**
Net debt	(£103.2m)	(£139.2m)	(£110.6m)	(£99.6m)	**(£61.8m)**

* The statutory 53-week period to 3 April 2015 comprises reported 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 proforma 52-weeks to 27 March 2015.

COMPANY INFORMATION

FINANCIAL CALENDAR

15 July 2015	Q1 Trading Statement
30 July 2015	Annual General Meeting
7 August 2015	Final Dividend Record Date
28 August 2015	Final Dividend Payment Date
12 November 2015	Interim Results
18 December 2015	Interim Dividend Record Date

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Worcestershire
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REGISTRARS
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The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

AUDITORS
KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

JOINT BROKERS
Investec Bank plc
2 Gresham Street
London
EC2V 7QP

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

SOLICITORS
Clifford Chance
10 Upper Bank Street
London
E14 5JJ

INTEGRATED REPORTING

Our second integrated report 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. Although this report focuses on shareholder value generation, it also demonstrates how we interact with all of our stakeholders.

WHAT IS INTEGRATED ABOUT THIS REPORT?

Our second integrated report has not only built upon the key changes we introduced last year, but has also evolved in line with developments in integrated reporting practices.

Our future reports will seek to keep up with these cutting edge developments, and in doing so, we hope to continually improve stakeholder communications.

Here are the steps we have taken on this journey so far:

FUTURE ORIENTATION

Our business model continues to evolve to provide greater clarity on how we create value in the short, medium and long term, ultimately showing that we are sustainable.

CONNECTIVITY

Integrated reporting has helped us to ensure connectivity of our thinking in every aspect of our business. Our business model is informed by our strategic thinking, and likewise, our strategy is informed by sustainability and risk considerations. So, we have increased signposting and consistency between sections to show how they interact.

STAKEHOLDER RELATIONSHIPS

We have included the nature and quality of our key stakeholder relationships: how we engage with these groups, how we address the issues that affect them, and the broader picture of how we each contribute to deliver value.

MATERIALITY

To give an honest representation of the interdependencies between our resources, relationships and the sustainability of our business, we have identified the material matters which affect our ability to create value, and prioritised them in our risk considerations. They are also integrated into our business model and strategy.

CONSISTENCY AND COMPARABILITY

We have provided 5-year KPIs throughout this report to make comparisons easy, both with previous years' progress and across other organisations.

CONCISENESS

We have removed repetition where possible, increased signposting where relevant, and made the structure of the report logical and intuitive. Rather than keeping sustainability separate, we have integrated it throughout the report to reflect how it informs every business decision we make. We have included our key corporate responsibility requirements within the directors' report on page 39, and pulled case studies of our charity initiatives into the relevant strategy pages.

RELIABILITY AND COMPLETENESS

This report aims to approach material matters both positive and negative in a fair, balanced and understandable way.

CSR AND STRATEGIC EXECUTION CASE STUDIES

Throughout this report, we have included case studies to bring our story to life.

These case studies illustrate in more depth some of the specific ways in which we have executed our strategic objectives.

These case studies show examples of our varied CSR activities which we consider important to our strategic performance.

Page 06 BUSINESS MODEL
Evolved for a future orientation

Page 14 STRATEGY
Connected strategic thinking

Page 19 SUSTAINABILITY
Integrated into every aspect of business

Page 32 RISK
Identifies key material interdependencies

Find out more about the global drive for public companies to move towards integrated reporting:

International Integrated Reporting Council
www.theiirc.org



Corporate and IR website
www.halfordscompany.com

Online Annual Report 2015
halfords.annualreport2015.com

Commercial Website
www.halfords.com

Supporting drivers of every car

Inspiring cyclists of every age

Equipping families for their leisure time