Committed to making customers' journeys *better*

Halfords Group plc
Annual Report and Accounts
for the year ended 1 April 2016

Stock Code: HFD
www.halfordscompany.com

halfords

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 a 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

Our vision is clear:

- To be first choice for customers' life on the move
- We will achieve this by being Committed to Making Customers' Journeys Better

462

Retail stores in the UK and ROI
(as of 1 April 2016)

314

Autocentres across the UK
(as of 1 April 2016)

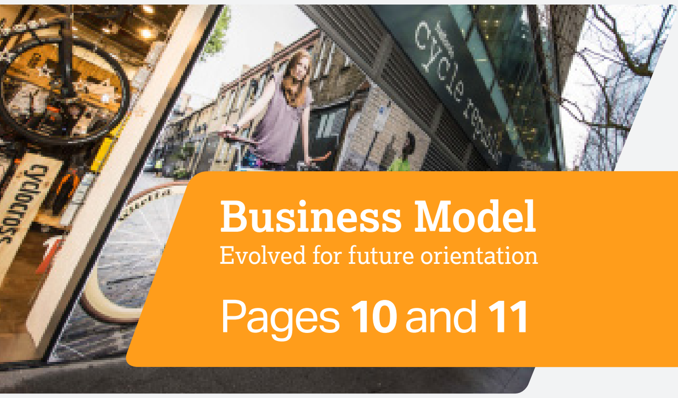
10

Cycle Republic stores
(as of 1 April 2016)

£1bn

Group Revenue

halfords



Business Model
Evolved for future orientation

Pages **10** and **11**

Defining our CSR Strategy
Integrated into every aspect of business

Page **10**

Strategy
Connected strategic thinking

Pages **14** and **20**

Risk
Identifies key material interdependencies

Page **30**

“

In producing this report we have: built upon the key changes introduced previously; and developed it in line with the evolving practices in integrated reporting.

Online Annual Report

Read our Annual Report online, including a link to the full Remuneration Policy.
halfords.annualreport2016.com

Corporate Website

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

A little direction for *your journey* through our report

This icon signposts the reader to other sections in this report

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

This icon accompanies ‘fast facts’ with figures that relate to 4th April 2015 - 1st April 2016

Our Integrated Report

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

What is integrated about this report?

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

The steps we have taken 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 a sustainable business.

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 our strategy is informed by sustainability and risk considerations. To reflect this we have increased the signposting and consistency between sections to show how they connect and interact.

Stakeholder relationships

We have set out the nature and quality of our key stakeholder relationships. We have provided details of: how we engage with these groups; how we address the issues that affect them; and how each contributes to deliver value.

Materiality

To demonstrate the interdependencies between our resources, our relationships and the sustainability of our business, we have identified the material items which affect our ability to create value. We have also prioritised these items in our risk considerations. These material items are integrated into our business model and strategy.

Consistency and comparability

We have provided three-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. We have integrated sustainability 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 37, and included case studies of our charity and other CSR 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.

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 and show examples of our varied CSR activities which we consider important to our strategic performance.

> Our goal is to be customers' first choice for their life on the move and we will achieve this by being Committed to Making Customers' Journeys Better.

Our **Group Strategy** is delivered across our two areas:

Retail

In Retail we have introduced the following five new pillars to the strategy:

Putting Customers in the Driving Seat

Service in our DNA

Building on our Uniqueness

Better Shopping Experience

Fit for Future Infrastructure

See more on our **Retail Strategy** on pages 14 to 15

Autocentres

In Autocentres our existing four-point plan remains in place:

Be First Choice for Customers

A Service Customers come back for

Be a Grand Prix Operation

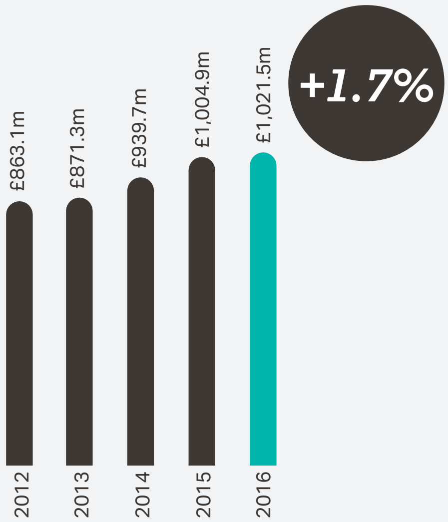
Leverage the Halfords Brand

See more on our **Autocentre Strategy** on pages 20 to 21

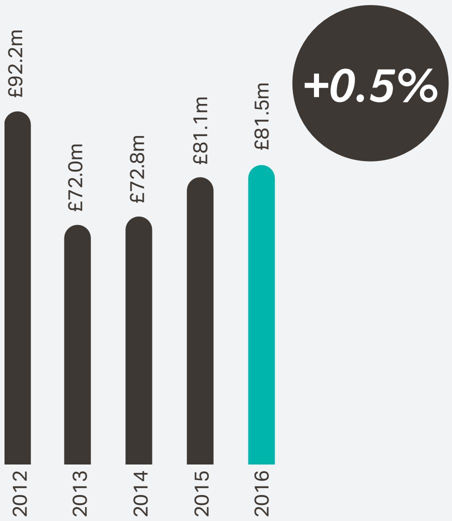
In this year's report

Group Highlights

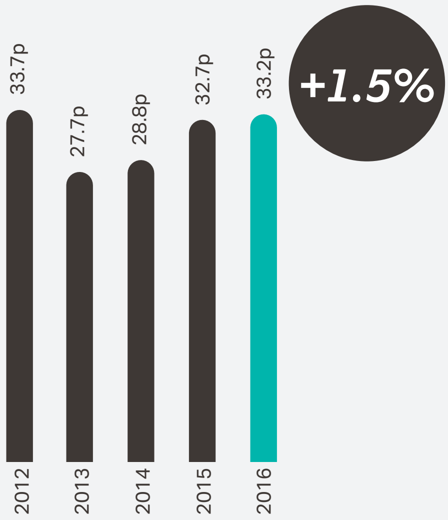
Revenue
£m



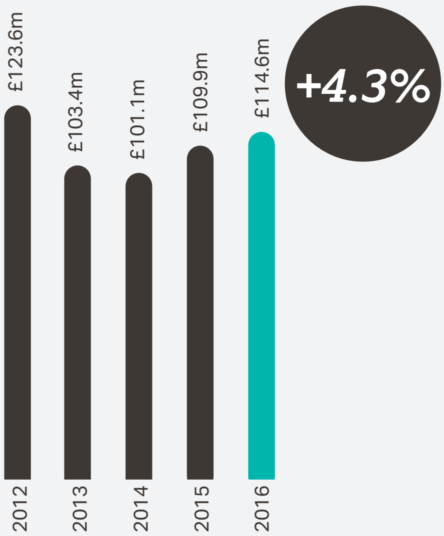
Underlying profit before tax
£m



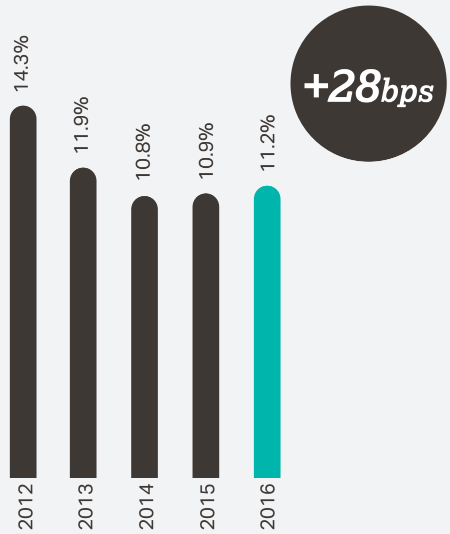
Underlying basic earnings per share



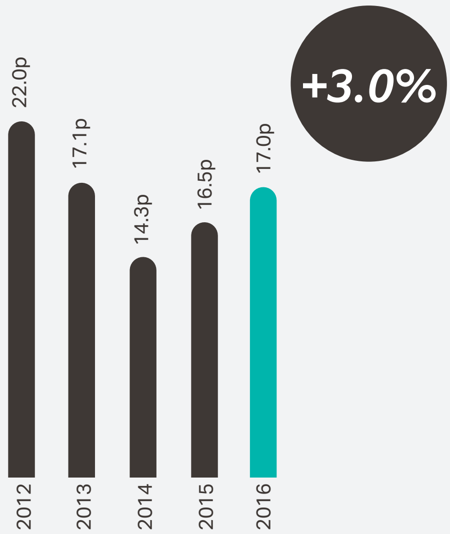
Underlying EBITDA
£m



EBITDA margin
%



Dividend per ordinary share
pence



72%
RETAIL COLLEAGUES THROUGH GEAR 2

8.5%
SERVICE-RELATED SALES GROWTH

15%
PROPORTION OF RETAIL SALES MATCHED TO A CUSTOMER

6
CYCLE REPUBLIC SHOPS OPENED IN THE YEAR

11
AUTOCENTRES OPENED IN THE YEAR

12.1%
ONLINE SALES AS A PROPORTION OF TOTAL RETAIL SALES

Chairman's Statement

> This is an ***exciting*** time to be part of Halfords. We have a clear strategic plan aimed at driving sustainable long-term growth delivered by ***engaged*** and ***talented*** colleagues.

See more on **Our Retail Strategy** on pages 14 to 19

Read about **Governance** on pages 34 to 73

Dennis Millard
Chairman

It has been a year of change for the management team: Jill McDonald joined as CEO in May 2015 and Jonny Mason as CFO a few months later. Both have settled in quickly and have made a strong impact. The change of management provided us an opportunity to step back and take another detailed look at the Group and its strategic plans. This re-affirmed our previously held view that Halfords is a fundamentally strong business operating in good, growing markets. It also identified that the turnaround the business had gone through in the last three years under the Getting into Gear strategy was impressive; colleagues are much more engaged and customers have noticed and benefitted from the changes. However, it also identified that the job to modernise Halfords was not yet done and that we needed to continue to invest to enable sustainable long-term growth. As a consequence, the new Moving Up A Gear strategy was launched in November 2015.

These plans are fully laid out in the Annual Report, along with explanations of the progress already made.

Performance

Following two years of strong sales growth in Retail, this was always going to be a challenging year, particularly for our cycling business. The weather wasn't helpful either, but I'm pleased to report that financial performance was solid for Retail, with robust sales growth from the motoring side of the business and a sound performance for Autocentres was achieved as it executed on its plans. As a result, we generated growth in underlying earnings per share. Confidence in the Group's future prospects and the cash generative nature of the business has enabled the Board to recommend a full year dividend of 17.0p, an increase of 3.0%.

Our colleagues have been resilient and committed throughout, working hard to drive sales and implement the strategic priorities. I was particularly pleased that Halfords was again awarded a place in the list of Top 25 Best Companies To Work For as well as winning awards for community partnerships and developing colleagues. Well trained, highly engaged and happy colleagues will lead, in turn, to satisfied, supportive customers.

Outlook

This is an exciting time to be part of Halfords. We have a clear strategic plan aimed at driving sustainable long-term growth delivered by engaged and talented colleagues. On behalf of the Board, I would like to thank all of our 11,000 colleagues for their hard work and commitment, and also their enthusiasm in embracing the new strategy. I would also like to extend a warm welcome to the Tredz and Wheelies businesses and colleagues. We look forward to the year ahead.

Dennis Millard
Chairman
1 June 2016

Chief Executive's Statement

Jill McDonald
Chief Executive

Summary of Group Results

Sales of £1,021.5m were up 1.7%, with like-for-like ("LFL") revenue growth of 1.5%. Group gross margin was broadly unchanged at 53.2%. Total operating costs rose by 1.8% reflecting volume-driven cost increases and investments made in key areas of the business offset by targeted cost savings. Investment in the expansion of Autocentres continued as the business added eleven centres and in Retail we opened six Cycle Republic shops.

Group earnings before non-recurring items, finance costs, depreciation and amortisation ("Underlying EBITDA") were up 4.3% to £114.6m. Group earnings before finance costs, tax and non-recurring items ("Underlying EBIT") were £84.5m, which compares with £84.6m in the prior year. Profit before tax and non-recurring items was £81.5m and earnings per share before non-recurring items was 33.2p, up 0.5% and 1.5% respectively.

The cashflow performance remained robust with operating cashflows more than offsetting the impact of our capital expenditure programme. Net debt at the end of the year was down £13.9m at £47.9m, with a net debt to EBITDA ratio of 0.4:1 versus 0.6:1 in the prior year.

The Board has recommended a final dividend of 11.3 pence per share (FY15: 11.0 pence) which, if approved, would take the full-year dividend to 17.0 pence per share, an increase of 3.0% on the prior year. If approved, the final dividend will be paid on 26 August 2016 to shareholders on the register at the close of business on 5 August 2016. The Board continues to target to grow the dividend every year with an average cover of around 2 times over time.

We have announced a target for debt of 1.0x EBITDA with a range up to 1.5x to allow for appropriate M&A. This is a prudent level for debt, taking account of our regular strong cashflow, no pension deficit and shorter, more flexible leases than many other UK retailers. Our priorities for capital allocation are explained later in this report.

Operational Review: Retail

Halfords Retail achieved a solid year of sales performance in the context of the trading conditions, with sales up 1.2% to £868.5m. LFL growth of 1.3% reflected Motoring LFL of +2.5% and Cycling LFL of -0.9%. The weather was not helpful, with both a wet summer and a mild winter, including the warmest December since records began. Despite this, the motoring side of our business, which contributes around 70% of Group sales, was resilient and reflected the healthy underlying market indicators and the service-led proposition.

Car Maintenance LFL revenues increased by 3.4%, driven by good growth in sales of car parts, workshop products and the fitting and sale of bulbs, blades and batteries ("3Bs"). The Halfords own brand oil further consolidated its number one market position and some of our innovations, such as 130% brighter bulbs, performed strongly. Car Enhancement LFL revenues increased by 1.0%, supported by exclusive products, innovation and expert service, and dash cams and in-car connectivity sales grew strongly. The growth in sales of this "new technology" for the first time offset the continued decline of sat nav sales; the latter continuing to decrease as a result of the structurally-declining market. Our We-Fit proposition drove an increase in sales of car audio products and services. Travel Solutions LFL revenues increased 2.8%, driven by growth in child car seats and camping equipment.

Cycling sales declined by 0.9% on a like-for-like basis. This was principally driven by the previously highlighted challenging July and August for mainstream bikes, due to a number of factors including particularly strong comparatives, poor weather and discounting across the market. Bike sales returned to growth in Q3 and Q4. Parts, Accessories and Clothing ("PACs") sales declined in the year and this is a focus area for us to improve over the medium-term.

Service-related sales increased by 8.5%, driven in particular by cycle repair and elements of motoring fitting, such as audio and roof boxes. We also introduced new services including "2Bs" (bulbs and batteries) fitting for motorbikes and windscreen chip repair for cars.

Online Retail revenues grew by 1.4% and represented 12.1% of total Retail sales (FY15: 12.1%). The importance of our store network and service overlay continued to be highlighted by the strength of Click & Collect, with around 90% of online orders picked up in store.

> In November we launched our Moving up a Gear strategy aimed at driving sustainable long-term growth, with good progress to date.

Operational Review: Autocentres

Total Autocentres revenues were up 4.1% and, on a LFL basis, up 2.5%. Gross margin improved by 90 basis points in the year, reflecting a lower tyre mix and an increase in service, MOT and repair margins. Operating costs increased by 5.8%, with the majority of the increase coming from new centres opened in recent years and the balance due to pay rises, enhanced training and investments in support functions. Underlying EBITDA increased by 13.2% to £8.6m.

Eleven new Autocentres were opened and two were closed, taking the total number of Autocentre locations to 314 at the end of the year. 24 centres were refurbished during the year, taking the total new or refurbished to just over 10% of the estate. 10-15 new centres will be opened in the year ahead and any sub-optimal centres will continue to be closed.

Market Update

A full review and update of the markets in which we operate is set out on pages 8 to 9.

Halfords Business Review

Our goal is to be customers' first choice for their life on the move and we will achieve this by being Committed to Making Customers' Journeys Better.

In November we set out the evolution in strategy from Getting Into Gear to Moving Up a Gear. In Retail this new strategy has five key pillars:

- **Putting Customers in the Driving Seat** — investing in customer data and insight capabilities to maximise the lifetime customer value
- **Service in our DNA** — embedding the focus on customer service
- **Building on our Uniqueness** — exclusive products, relevant innovation and unique partnerships, such as our new collaboration with British Olympian and Tour de France winner Sir Bradley Wiggins
- **Better Shopping Experience** — a seamless customer experience, online as well as in store
- **Fit for the Future Infrastructure** — moving from fixing the basics to improving efficiency and fulfillment

On pages 14 to 15 we have set out a more detailed explanation of the Retail strategy and on pages 16 to 19 we have explained in more detail our progress on each of these pillars. On pages 20 to 21 we have explained our Autocentres strategy and progress during FY16.

Financial Targets

In November we set out four key financial targets, which we reaffirm and update below:

- **Grow sales faster than the markets in which we operate**. We anticipate that the motoring market will grow at an average rate of 2–3% per annum and the cycling market at an average rate of 3–5% per annum over the medium-term. We will aim to beat whatever those growth rates are.
- **Maintain Group EBITDA % margin roughly flat** over the next few years as we continue to invest for sustainable growth.
- **Grow the dividend per share every year** with coverage of around 2 times underlying earnings on average over time.
- **A debt target of 1.0 times EBITDA** with a range up to 1.5 times to allow for appropriate M&A. We have set out below some important principles in this regard.

Capital Structure and Priorities

Our top priority will be to maintain a strong balance sheet. The debt target has been set at a prudent level, taking into account the strong, regular cash flow generation, no pension deficit and shorter, more flexible leases than many UK retailers.

Our priorities for use of cash, based on the balance sheet described above, will be firstly capital investment to grow the business in line with previous guidance, secondly to pay and grow the ordinary dividend every year within a cover ratio of 2x on average over time, thirdly for any appropriate M&A opportunities which may arise and thereafter any excess cash would be available for additional distribution to shareholders.

The debt target and range is intended as guidance rather than a hard and fast rule. We anticipate moving towards the debt target over time. Our clear priority at present is investment to deliver the Moving Up A Gear strategy and for growth.

Acquisition of Tredz and Wheelies

Subsequent to the year end, on 23 May 2016 the Group acquired Tredz Limited ("Tredz") and Wheelies Direct Limited ("Wheelies"). Tredz is a UK-wide online retailer of premium bikes and cycling parts, accessories and clothing. It also operates four stores in South Wales. Wheelies is the UK's largest provider of bicycle replacement for insurance companies.

Collectively, these businesses generated revenue of circa £32m for the year ended 29 February 2016, up from circa £24m in the prior year, and EBITDA of £2.4m. The initial cash consideration is £18.4m and has been settled from the Group's existing borrowing facilities. Dependent upon the financial performance of Tredz in the year ending 28 February 2017, there will be an element of deferred consideration payable in 12 months.

From a customer and supplier perspective the businesses will continue to trade on a standalone basis and will continue to be led by the existing management teams. The businesses have strong web development capability and are supported by office and warehousing premises in Swansea. The majority of sales are fulfilled from the warehouse operation where a team of highly skilled and experienced bike technicians build bikes which are then carefully boxed and delivered direct to customers' homes.

This acquisition is a strong and complementary addition to the Group, extending our presence in the online market for premium bikes, parts, accessories and clothing.

Current Activity

As we look ahead there is plenty to do as we implement Moving Up a Gear and we've already built good momentum. The year ahead will be a busy one, both for product developments and strategic progress.

In Motoring, we are embedding our new motorcycle product and service offer, building our new windscreen chip repair service, launching exclusive in-car technology products, further expanding our ranges and developing our trade offer. In Cycling we have just launched our Orla Kiely collaboration and there will be a refresh of our Apollo and Carrera bike ranges, the launch of the Wiggins and Trott ranges and extended online PACs range through Cycle Republic.

The key focuses under the Moving Up A Gear plan include building relationships with more of our customers, growing more service-related revenue, continuing to improve our colleague training and retention, implementing transformational colleague and customer-facing distribution and IT development and improving on our successful store refresh programme with the Store of the Future concept.

In Autocentres we remain committed to new centre openings, along with the continuation of a roll-out across the wider estate of the refresh programme. We are also investing in a new electronic point of sale system, which will enable us to stock and sell Retail products in our centres, jointly source parts with Retail and implement an e-diary.

I would like to thank all colleagues for their fantastic contribution, support and commitment to the further progress and performance made in Halfords this year.

Jill McDonald
Chief Executive
1 June 2016

See more on **Our Retail Strategy** on pages 14 to 19

See more on **Our Autocentre Strategy** on pages 20 to 21

Our *Strategic* Report

NATIONAL CSR AWARDS WINNER 2016

Discovering Potential

Halfords was awarded a new ‘Discovering Potential’ award by Sunday Times Top 100 Companies, presented by Employment Minister, Priti Patel.

Our Marketplace

Halfords principally operates in two broad markets: Motoring and Cycling. Around 70% of Group sales are generated from products that are principally Motoring related with the remaining 30% coming from Cycling. At a profit level, the contribution of Motoring is even greater.

The Motoring Market

Within Motoring, the Halfords Group operates in two segments:

- Car parts, accessories, consumables and technology, with a total market worth up to an estimated £7bn. This element of the Motoring market has grown by around 3% per annum in the last few years. Halfords Retail competes in a portion of this market worth circa £3bn, holding around a 15% market share.
- Car servicing and aftercare, with a total market worth around £9bn. This element of the market has grown by around 2% per annum in the last few years and is where Autocentres competes, holding around 1.5% share of a highly fragmented market.

Going forward we anticipate the Motoring market to continue to grow at an average rate of 2-3% per annum over the medium-term. The number of cars on the road is rising and the mileage being driven is increasing. The number of new car registrations in 2015 was the highest on record. The average age of cars in the UK is steady at around 7.5 years.

Cars are also becoming more complex, with greater variety of models and enhanced technology making it more difficult or even impossible for people to "Do it Yourself". For example, replacing a stop-start battery requires connection with the on-board computer — something that Halfords stores and colleagues are equipped to do, but is not possible for an individual. This complexity, combined with a change in needs from increasingly time-poor consumers, is driving the "Do It For Me" trend.

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 continue to see good growth in some subsections of our in-car technology offering. In-car cameras ("dash cams") continue to be very popular and we are uniquely placed to offer a comprehensive advice and fitting service for these products. Multimedia, connectivity and streaming technology continue to grow as customers look for ways to bring their in-car environment more technologically up-to-date.

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 FY16 in the Retail stores we sold nearly 9 million 3B products and fitted 38% 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.

The Cycling Market

The Cycling market is not particularly well documented, with data difficult to come by, which is reflective of the fragmented nature of the operators within it. As such we conduct our own extensive, bespoke customer and market research, some of which we have included below.

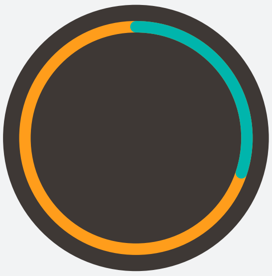
The Cycling market had been growing at a compound annual growth rate of around 6–8% over the three years prior to 2015.

The market for bikes is estimated to be around £800m and for parts, accessories and clothing ("PACs") around £750m. In recent years we have gained share in bikes, now standing at around 24% of the market. Our share of the PACs market has remained steady at around 15%. In cycle repair, a market of around £100m, our investments in equipment and people have resulted in strong growth, and we believe we have been continuing to take share over the past 12 months.

Our Cycling sales were particularly strong over 2013 and 2014 due to a combination of factors:

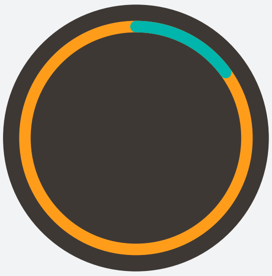
- The economic conditions were favourable with true disposable income recovering to drive big ticket purchases.
- There was plenty of positive media coverage driving awareness around cycling — the fantastic achievements of Team GB at the London Olympics, the Tour de France starting in Yorkshire and more amateur cycling and triathlon events.
- The Government has continued to invest in infrastructure and safety, particularly in London.

Category split of Halfords Group revenue



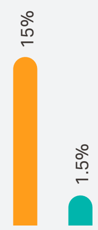
Motoring	70%
Cycling	30%

Retail as % of Halfords revenue



Retail	85%
Autocentres	15%

Halfords share of the Motoring market



- Car parts, accessories, technology and consumables
- Car servicing and aftercare

Halfords share of the Cycling market

Bikes • PAC's • Repair

- Whilst the Cycle to Work initiative has been in place for some time now, awareness and participation grew significantly over those years.
- Finally, we saw consistently warm and sunny summers in 2013 and 2014.

New cyclists look for entry level bicycles around the £200–300 mark and our fantastic Apollo and Carrera ranges meant Halfords was better positioned than most to benefit from this.

Looking forward we have confidence in the long-term growth potential of the cycling market, based on our understanding of the customer and macro factors, both economic and social. We anticipate that the Cycling market will grow by 3-5% per annum on average.

Our research has identified cyclists by how they use their bike and how often they use it, and although there are many subtleties in the segmentation, we broadly see three types of customers:

- Those who use their bike for leisure; cycling with family and friends for light exercise
- Those who commute
- Those who are cycling for fitness and potentially entering competitions and cycling with clubs.

The fitness cyclists are not the only set who cycle frequently and are engaged or enthusiastic about cycling. Our research has revealed that many of the leisure cyclists are cycling just as often and are just as engaged.

Reflecting on the different customers, we know that we over-index in our share of cyclists riding for leisure purposes and conversely under-index with those who cycle for fitness or cycle in clubs. We know these groups behave and therefore spend differently, so we have a dual offering in cycling with Halfords and now Cycle Republic.

The total pool of people now cycling has increased and they are cycling more often and more miles than previously. We have confidence that those who are currently cycling will continue to do so. Our research shows that these more frequent cyclists replace their bikes more often; a large proportion of frequent cyclists plan to replace their bikes within the next year. Fitness cyclists are more likely to increase their bike spend the most, sometimes doubling it. They are also the group that buy more PACs.

Our research also looked at those not cycling today and we were very encouraged by the proportion of them that intended to buy a bike in the near term.

In addition to understanding the customer we've also looked at future market drivers. We know that participation in the UK is still low and there is large scope for new entrants as well as increased spend from existing cyclists. Also, female participation is particularly low, but growing. This presents an opportunity for us because we know that an increase in female cyclists will also drive an increase in families and children taking up cycling. Furthermore, there is significant government support in London and in many other cities. For example, there are now four cycle super-highways in London and five more to come.

Looking specifically at recent market performance, our analysis suggests that the market declined in the last 12 months, due to the reasons explained in the operational review. This decline was principally attributed to the summer of 2015. Since then we have observed a gradual stabilising of market conditions, notwithstanding that it may take some time to return to consistent growth and the weather continues to have an impact on the timing of customer purchase.

However we remain confident in the long-term growth prospects of the cycling market. Participation in the UK is still low and there is large scope for new cyclists as well as increased spend from existing cyclists. This is supported by significant government support in London and in many other cities, as well as consumer trends towards healthy activities.

A *'win-win'* collaboration

We understand the fear many adults have of getting back on a bike after years out of the saddle so, to help, we partnered with British Cycling's Breeze network. British Cycling's Breeze network is the largest programme in Britain, designed specifically to get more women cycling. Led by women for women, Breeze is underpinned by an amazing network of volunteers — Breeze Champions — who organise local rides catering to all levels, from grassroots up.

The partnership is a 'win-win' collaboration, increasing the profile of British Cycling's Breeze network and supporting our appetite to grow women's cycling. In addition to promoting the network to customers on our website and through emails, in FY16 we piloted bike maintenance workshops in partnership with Breeze, with over 2,500 women attending and 97% saying they'd recommend the workshop to others. Later in the summer our cycle mechanic crew supported cycle events organised by Breeze, with a team of Halfords colleagues also taking part. The partnership has also provided the opportunity for colleagues to become Breeze champions too.

halfords

Our Business Model

We have a clear plan to drive long-term sustainable growth.

We will do this through the effective use of our resources and relationships.

FINANCIAL CAPITAL

Generating returns for our stakeholders through effective management of our financial resources.

HUMAN CAPITAL

Developing, rewarding and retaining our c.11,000 colleagues so that they are engaged and driving our long-term sustainable growth ambitions.

SOCIAL & RELATIONSHIP CAPITAL

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

INTELLECTUAL CAPITAL

Developing our brand through innovation and expertise.

MANUFACTURED CAPITAL

Maintaining and developing our infrastructure and sales channels to strengthen competitive advantage.

Through the *expertise* of our partners and *well-trained* colleagues...

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

MANUFACTURED CAPITAL | **INTELLECTUAL CAPITAL**

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

See more on **our sustainability and stakeholder policies** on pages 51 to 53

...to *delight* our customers every time.

We aim 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:

- ***Prices*** you can trust
- ***Quality*** you can trust
- ***Range*** you can rely on
- ***Service*** that wows

We are able to ***leverage*** the halfords brand and the brands of our partners...

Halford's is the nation's go-to retailer for cyclists and motorists. We have a range of exclusive and highly-regarded brands including *Boardman*, *Apollo* and *Carrera* in cycling, as well as our Halfords Advanced ranges in motoring.

HUMAN CAPITAL

SOCIAL & RELATIONSHIP CAPITAL

Our model is underpinned by our ***financial discipline, astute purchasing*** and ***strategic reinvestments***

We are a cash generative business and have generated £45.4m of free cash flow in the year. We are well supported by our banking syndicate, having amended the debt facility in 2014 and extending it to November 2019.

FINANCIAL CAPITAL

Through our portfolio of ***convenient*** stores and centres, ***efficient*** distribution network and ***user-friendly*** websites...

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. Our ambition is to create a service-led, fully integrated digital proposition which will maintain our ongoing relevance.

INTELLECTUAL CAPITAL

MANUFACTURED CAPITAL

A better life cycle

Transforming *people's lives*

In some areas of Africa, a bike can be the only means of transport. Owning a bike enables people to travel to work or school, and carry goods or passengers, whilst small scale farmers and traders can reach customers further afield. The bikes can similarly be an invaluable resource for travelling health workers and provide access to training and employment, helping to improve lives in a sustainable way. However, bikes can be too expensive for the majority in Africa. Additionally, the skills to maintain the bikes might not exist.

Our charity partner, Re~Cycle, helps to address this. Not only by getting bikes over to Africa but also by teaching local people how to repair and maintain the bikes, helping to improve lives in a sustainable way. We provide opportunities for customers to donate unwanted bikes via national trade-in events and also at over 75 stores on an ongoing basis.

Over 20,000 bikes have been donated so far, resulting in 300 tonnes of bikes being diverted from landfill /disuse and benefitting an estimated 120,000 beneficiaries in Africa (household research in Ghana shows that each bike is used by an average of six people). Halfords' colleagues have also raised over £295,000 to help support the charity's costs.

A road to a *brighter future*

A full cycle mechanic training facility set up inside Onley Prison, trains prisoners to become professional cycle mechanics. Offenders work on children's bicycles that have been handed in at participating stores and these, along with new bike helmets, are then donated to schools in disadvantaged areas.

The programme offers the very best candidates an opportunity to become full-time Halfords colleagues, helping them to rebuild their lives following their sentences and providing Halfords with fully trained and committed colleagues. 15 have so far graduated and been offered jobs.

The programme has had a lot of high profile government interest culminating in a visit to the workshop by Prime Minister, David Cameron. Plans are underway to set up a second cycle workshop at Drake Hall's women's prison providing further opportunities for rehabilitation.

Material Issues

Halfords' vision is to be customers' first choice for their life on the move by being committed to making customers' journeys better. The tables below identify the key stakeholders we interact with to achieve this vision and outlines how and why we engage with them.

CUSTOMERS

Material issues
- Value for money
- Customer service
- Convenience
- Range

How we engage
- Putting Customers in the Driving Seat
- Service in our DNA
- Building on our Uniqueness
- Better Shopping Experience
- Fit for the Future Infrastructure

COLLEAGUES

Material issues
- Career opportunities
- Pay and conditions
- Training and development
- Innovation
- Colleague engagement

How we engage
- '3-Gears' training programme
- Listening: surveys and colleague groups
- 'Accelerate' management development courses
- Recognition and reward
- Apprenticeship programmes

SUPPLIERS

Material issues
- Quality management
- Cost efficiency
- Ethical Trading policy
- Speed to market
- Security of supply

How we engage
- Far East trading office developing mutually beneficial relationships
- Logistics efficiencies and environmental management
- Supplier conferences
- Infrastructure

INVESTORS

Material issues
- Future-orientated information
- Risk information
- Operating and financial performance
- Dividend
- Access to management

How we engage
- Integrated reporting
- Consistent KPIs provided through clear and regular updates
- Responding to investor queries and meeting requests
- Recognition in Social Responsibility investor indices e.g. FTSE4Good

COMMUNITIES

Material issues
- Impact of Group activities on the wider community
- Developing future customers

How we engage
- Re-Cycle partnership
- Onley Prison workshops giving training and employment opportunities for ex-offenders
- Free kids' holiday bike clubs
- Cub Scouts Cyclist Activity badge workshops
- Stores will donate payroll hours to engage with local charities
- Motor workshops – teaching basic things to check on cars
- Autocentres partnered with the Dallaglio Foundation which works with children excluded from mainstream education

MEDIA

Material issues
- Reliable range, product and pricing information
- Transparency of reliable and timely Group information

How we engage
- 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

Material issues
- Transport policies and schemes
- CO_2 reduction strategies

How we engage
- Cycle to work policy campaigning
- DAB Radio working groups
- Driver training and vehicle safety enhancements
- Engaging with VOSA, DVLA, TSI, ASA and HSE

Our Retail Strategy

In November 2015 we launched our new Moving Up a Gear strategy

For Retail this strategy is an evolution from the previous Getting Into Gear strategy and comprises five pillars

868.5
RETAIL REVENUE (£m)

15%
SALES MATCHED TO CUSTOMERS

72%
COLLEAGUES GEAR 2 QUALIFIED

8.5%
GROWTH IN SERVICE RELATED SALES

See more on **Retail market trends** on pages 8 to 9

Putting Customers in the Driving Seat

Description
Investing in customer data and insight capabilities to maximise the lifetime customer value.

Objectives
- Improve our understanding of our customers.
- Combine our pools of customer data into a single view.
- Leverage customer data to gain insights and tailor offers.
- Refresh brand positioning to create a more emotional connection.
- Offer value for money across our range.

Progress to date
- % of Retail sales matched to customers is now 15%.
- Starting to use customer data – tailored email campaigns.
- Developing a single view of customer.
- New brand positioning launching in June.

Read more about **Putting Customers in the Driving Seat** on page 16

Service in Our DNA

Description
Halfords has been through a service revolution and now we need to embed it in how we do business. Our ability to offer great service is one of our key differentiators.

Objectives
- Maintain 3-Gears training programme and increase emphasis on service and selling skills.
- Develop talent throughout the Group, including through our Aspire and Apprenticeship programmes.
- Reward skills through enhanced pay.
- Grow service-related sales.

Progress to date
- Over 70% of colleagues qualified for Gear 2 and over 600 colleagues at Gear 3.
- Continued improvement in key customer service metrics.
- 500 basis points improvement in colleague turnover.
- Recognised as 18th in the Sunday Times Best Companies To Work For awards
- Received the "Discovering Potential Award" for our work at the Halford Academy at Onley prison.

Read more about **Service in our DNA** on page 17

Building on Our Uniqueness

Description
Exclusive products, relevant innovation and unique partnerships and collaborations.

Objectives
- Maintain and develop a pipeline of relevant innovation.
- Nurture and complement our partnerships and collaborations.
- Develop exclusive products.
- Grow our share of trade customers.

Progress to date
- Wiggins range developed and launching online and in store in July 2016.
- Orla Kiely range of leisure products now available in stores and online.
- Exclusive in-car technology launched in stores.
- Extended motorbike range.
- 130% brighter bulbs and lifetime guarantee on batteries launched.
- A new collaboration agreed with Olympic cyclist Laura Trott.

Read more about **Building on our Uniqueness** on page 18

Better Shopping Experience

Description
A seamless customer experience, online as well as in store.

Objectives
- Continue to refresh our store design.
- Continual improvement of our online and fulfilment propositions.
- Launch a transactional website for Cycle Republic.
- Continue to target growth in areas where we have relatively low market share.

Progress to date
- 25 store refreshes in FY16.
- Store of the Future concept progressing through the design phase.
- Halfords website and fulfilment upgrades during H2 FY16.
- Cycle Republic transactional website developed and on track to be launched in summer 2016.
- Acquisition of Tredz and Wheelies.

Read more about **Better Shopping Experience** on page 18

Fit for Future Infrastructure

Description
Moving from fixing the basics to improving efficiency and fulfillment.

Objectives
- Maintain short-term stability of our supply chain operations through peak periods and at the same time review and identify the long-term requirements.
- Turn our IT investment focus from fixing the basics to developing value-adding colleague and customer-facing IT applications.
- Continue our strategy of right-sizing, relocating and renegotiating leases upon expiry.

Progress to date
- Current 3-day-a-week delivery to stores model is embedded and stable.
- Long-term supply chain requirements review completed.
- Good progress on IT application development.
- 25 lease renegotiations, 2 relocations and 1 right-size of stores in FY16.

Read more about **Fit for Future Infastructure** on page 19

Operational Review — Retail

Putting Customers in the Driving Seat

In recent months we have been rapidly improving our customer data knowledge and capability. We introduced e-receipts in January across all stores and since then have collected over 1 million email addresses, of which the majority are new contacts to our database. For the 12 months to the end of April 2016 we can match 15% of Retail sales to customers, up from 3% as of November 2015. We have joined up our online and in-store customer databases in Retail, meaning that we can now match online orders to customers when they collect in store. Over the course of the year we will develop a complete single view of customer, which involves joining up all of the numerous customer databases within Retail, Cycle Republic and Autocentres.

Investment in customer data has allowed us to move from generic email marketing to a more personalised approach. In recent weeks we have started our first tailored email campaigns. For example, anyone buying a bike and agreeing to submit their details will, for the first time, receive an email reminder to come in to have their free 6-week bike check. Also, after any purchase online or in-store, the following day the customer will receive a "we recommend" email containing 6 products; this is driven by a bespoke recommendation engine built for Halfords. We will develop more of these tailored campaigns in the months ahead. This summer we will also commence a customer discovery project, where we will use the enhanced data to segment customers and better understand shopping habits. We will share some of these insights in due course.

There is more to be done. In FY17 the implementation of the new electronic point of sale ("EPOS") system towards the end of the year will, apart from delivering operational enhancements, provide benefits for customer data, enabling store colleagues to look up customer details in a live customer database at the till and improving the speed and accuracy of matching and customer interface.

Another key part of Putting Customers in the Driving Seat is a new brand positioning. Over the past few years our messaging to consumers has been focused around price and spot buys, rather than creating a relationship with the brand. In a few days' time we will be launching a new Halfords Brand positioning and new brand look and feel across a number of customer touch points, including advertising campaigns, website design and in-store marketing, under the strapline of Halfords – For Life's Journeys. This is a significant change of approach and is designed to create a more emotional and relevant connection to the brand. We are also improving the richness of online content, with more videos and "how to" guides, positioning Halfords as a friend in times of need. At this stage we are not embarking on a complete and immediate change to external branding of stores or a complete change of in-store point-of-sale collateral. Rather, these will change over time as and when they come up for refresh, in order to provide a more cost-effective rollout.

In November we explained that we needed to improve our value perception. Value is an equation of the right price, great service and outstanding quality. The relative importance of each factor varies by category and we have assessed our products and services accordingly. We have already introduced new opening price points in order to improve the value perception where we are, for example, competitive on pricing of the "better" and "best" products but don't have a "good" equivalent to our competitors.

See more on **Autocentres strategy and operational review** on pages 20 and 21

Helping families cycle *safer*

A major factor parents worry about when cycling is safety and the confidence to fix things, as and when problems occur. Through workshops colleagues share their knowledge and expertise, to give customers the confidence to get out on their bikes. The majority of workshops focus on primary school children, an age when they are often starting to cycle without adults and are also doing Bikeability.

Kids' Bike Workshops

22,000 children and their parents attended free in-store bike workshops helping to improve their skills in basic bike maintenance and cycling safely, giving them greater confidence to go out cycling more. 96% of parents found the in-store workshops useful/very useful and 96% would recommend the workshop to other parents.

Cub Bike Workshops

In FY16 we helped over 5,500 Cubs achieve their Cyclist Activity Badge, with over 98% satisfaction. In addition to a more advanced in-store based workshop, a resource pack also supports Cub Leaders.

Service in Our DNA

Services and service-related sales are a key part of this pillar of the strategy. We have recently introduced new services into our stores including windscreen chip repair and motorcycle bulb and battery fitting. We continue to look to add to and enhance the suite of services we offer. In November we introduced a new KPI: service-related sales. This is the income that Halfords derives from the sale of services and any associated products included within the same transactions. Our aim is to grow this faster than overall sales; in FY16 we achieved growth of 8.5%.

Our customer service metrics continue to improve. The net promoter score is at its highest recorded level and has increased significantly year on year. We have decided to continue to use net promoter score, but we have opened up more channels for customers to give us their feedback including exit interviews as customers leave the store, carried out by an external third party.

We remain committed to the 3-Gears training programme; 99% of eligible colleagues are at Gear 1, over 70% of colleagues had qualified for Gear 2 by the end of FY16 and we also now have over 600 colleagues trained to Gear 3 "guru" level. As of April 2016 we introduced the National Living Wage for our colleagues aged 25 and over, and at the same time introduced our 20p supplement for all colleagues upon qualifying for Gear 1. This, combined with other changes to our pay structures, lifted the pay of all colleagues of the Halfords Group to above the minimum wage.

Our Retail apprenticeship scheme has now been in place for over a year and we have already placed nearly 200 trainees into permanent roles across our stores. We continue to build our pipeline of Assistant Store Managers and Store Managers through our Aspire programme; in FY16 all but two of our store manager roles in our Southern division were filled internally.

We have previously reported on the progress made on improving turnover of colleagues within 3 months of joining. This continues to be around 9%, having been over 20% three years ago. We have now turned our focus to improving the overall colleague turnover and this improved by 500 basis points within the last year. We were pleased to once again be included within the Sunday Times Best Companies To Work For list, maintaining our 18th position, and our Retail colleague engagement score, surveyed annually each April, has been maintained at 82%; a strong result in the context of the more challenging trading conditions this year.

See our **Chief Financial Officers' review** on pages 24 to 29

School Bike Workshops

Colleagues also go out to primary schools each year to teach pupils in their final year bike maintenance and safety. Complementing the Government scheme Bikeability, which teaches children how to ride a bike safely; Gear-Up workshops show basic bike maintenance and safety hazards to avoid — key skills as pupils prepare to make the transition to secondary school. 5,500 pupils benefited from the programme in FY16; 96% of teachers found the school workshops useful/very useful and 92% would recommend the workshop to other teachers.

See more at **www.halfordscompany.com/community**

Operational Review — Retail continued

Building on Our Uniqueness

Exclusive products, relevant innovation and unique partnerships all strengthen our clear differentiation as a retailer. Over the last few months we have introduced the following new initiatives and products:

- Launched the world's first 130% brighter bulb. In Q4 this was our second highest selling bulb.
- Introduced a lifetime guarantee on certain car batteries.
- Extended our range of motorcycle products to include a 2B's (bulbs and batteries) product and fitting service for motorbikes, as well as a range of consumables and accessories.
- Expanded our range in store and online of gifts and toys. For Christmas we had many new products including camera drones and Disney Frozen roller skates, as well as gift versions of our popular tool products.
- Launched the new range of Boardman Performance bikes.

During the year we commenced joint sponsorship with Yuasa of last year's winning team in the British Touring Car Championships ("BTCC"). Halfords previously sponsored a BTCC team from 2004 to 2008.

In March we unveiled to the press our new Wiggins and Orla Kiely collaborations, which were both well received. The partnership with Orla Kiely comprises a range of cycling and leisure products and accessories and has recently launched online and in around 250 Halfords Retail stores. The Wiggins range comprises bikes for toddlers to teenagers and priced at £99 to £450.

We have lots planned for FY17 including:

- An exclusive collaboration with Olympic Gold Medalist and World Champion cyclist Laura Trott to create a range of limited edition performance bikes for women under the Trott brand. These will be launched in stores and online in July, priced from £449.
- Our largest ever range of in-car connectivity products, with an emphasis on design, colour and technology, such as solar-powered devices and branded items.
- First to market with an exclusive launch of digital in-car adaptors.
- Developing our trade offer, starting with the enabling of the trade cards to be used online.

Better Shopping Experience

Over the last three years we have been working hard to improve the in-store and online experience for customers but, as we set out in November, there is more to be done. We continued to make ongoing enhancements to our fulfillment proposition, such as adding specific delivery time slots and extending the online order cut-off deadlines.

Since May 2013 we have refreshed 97 stores under the Getting Into Gear programme. Customer feedback has been positive and the investments have justified themselves financially. As such we remain committed to the continuation of a refresh programme, but we have slowed down the pace of roll-out whilst we create the "Store of the Future" refresh concept. The initial design principles have now been agreed and we anticipate trialing the first concept in the second half of this year. Store of the Future builds on many of the features of our recent store refreshes and is building in technology to enable colleagues to better serve customers, create a hub for our We-Fit services and create more flexible spaces.

We are not locking down the refresh concept at this stage; as we learn from the trial we will look to evolve the concept over the next 12 months. In the meantime we will continue to roll out a number of existing refresh concepts during FY17. Across both concepts, we anticipate refreshing 15 to 25 stores in the year.

Cycle Republic reached 10 stores by the end of the year and represented 0.5% of group revenue. It was a difficult year to launch a new cycling concept because of the market conditions, but we are encouraged by the progress of the brand. The next important step is to launch the new website, which will go live in the next few weeks. In the year ahead, we will continue to roll out more stores, although fewer than last year, and will continue to implement lessons to develop the concept. We anticipate that sales in FY17 will reach approximately 1% of group revenue and total capital expenditure for the three years to the end of FY17 will be around £5m, 4% of the Group total.

Fit for Future Infastructure

In November we explained how investment in infrastructure remains a priority, but that the type of investment moves from being about fixing the foundations to customer and colleague-facing enhancements. This change in focus began during FY16 with projects such as the online marketplace, new tills in stores, electronic number-plate lookups and bike finance online. There are also a number of developments that we have been working on in recent months that will launch in the coming weeks: a transactional Cycle Republic website, contactless payments in store and the ability to use trade cards online.

Looking ahead, our IT investment is focused on two key projects that we anticipate will be implemented over the next 12 months: a new electronic point of sale ("EPOS") system and a new people resource planning tool.

The EPOS system will be rolled out across all stores and also into Autocentres. This will be the first major change to our EPOS system for many years. In Retail there are many benefits, including:

- improved customer data capability, including improved customer matching and the ability for colleagues to look up customers within a live single view database;
- an e-diary, with which customers can pre-book services, such as 3B fitting or cycle repair, and with which we can allocate resource accordingly;
- opportunities to improve in-store processes, such as goods in/out, processing vouchers and promotions, as well as eradicating many paper-based processes; and
- providing a modern and stable platform on which to implement other enhancements.

The new resource planning tool removes eleven systems and replaces them with one tool that we will use across stores, autocentres, the Support Centre and distribution centres. Colleagues and line managers will be able to log into the system to view and change shifts, as well as optimise scheduling of resource.

Our supply chain infrastructure has undergone significant change over the last 18 months, having moved in October 2014 from 1-day-a-week deliveries to store to a 5-day-a-week in-house delivery arrangement and then, in August 2015, to a 3-day-a-week outsourced delivery solution. This is now embedded, stable and working well; providing the benefits of good availability on a cost effective basis. Availability has remained at strong levels through the transition and thereafter. Concurrently, over the last few months we have been reviewing the long-term supply chain requirements. We have concluded that in order to support our future growth we will develop our warehouse infrastructure to improve customer service, but we do not anticipate such plans to cause any significant ongoing changes to warehouse and distribution operating costs or to the capital expenditure guidance we have previously given.

*Fast Fact**

4 Bike ranges in 2016 from ***Olympic Heroes*** - Chris Boardman MBE, Victoria Pendleton CBE, Sir Bradley Wiggins and Laura Trott OBE

*Fast Fact figures relate to 4th April 2015 - 1st April 2016

Our Autocentres Strategy

Be First Choice for Motorists

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

Objectives
- We want to build a loyal and satisfied customer base, and this can be achieved through our scale, convenient locations and technical expertise.
- Offering customers added value for booking in advance via our increasingly popular online booking system which customers can access via tablets, desktop computers and smartphones.

2016 Progress
- Interest-free credit trialled and rolled out to all centres.
- More customer-friendly opening hours such as Sundays and weekday evenings.

A Service Customers Come Back for

Description
We believe great service, delivered by engaged and motivated colleagues, who value customer feedback, guarantees a loyal and satisfied customer base.

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.

Objectives
- To create 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 by focusing on improving recruitment and engagement.
- To nurture our colleagues' abilities by prioritising training and development.
- To continue learning by regularly reviewing feedback from our customers.

2016 Progress
- Improvements in Net Promoter Score and customer retention.
- Trust Pilot rating maintained at about 8 out of 10.
- New quality team assessing the workmanship of our technicians.

Be a Grand Prix Operation

Description
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.

Objectives
- To improve the standards in centres.
- To create a great environment for customers whilst waiting for their vehicles.
- To continue to invest in the latest technological equipment.

2016 Progress
- 24 centres refreshed in the year.
- Good customer and colleague response to refreshed centres.
- 11 new centres opened.

Operational Review — Autocentres

Leverage the Halfords Brand

Description

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.

Objectives

- To operate common offers across both Autocentres and Retail, using our knowledge of each customer base to encourage customers of each to become customers of both.
- To sell jointly-sourced products.
- To explore opportunities to cross-sell.

2016 Progress

- All centres now using Halfords anti-freeze in addition to oil and batteries.
- Development commenced on new electronic point of sale system, which will enable centres to hold and sell Retail stock.
- Trial of email marketing to Retail customers.

Continued progress on our strategy to attract and retain customers by building trust.

Like-for-like sales increased for the 10th consecutive quarter and customer service metrics improved.

Financial performance

Total Autocentres revenues were up 4.1% and, on a LFL basis, up 2.5%. Gross margin improved by 90 basis points in the year, reflecting a lower tyre mix and an increase in service, MOT and repair margins. Operating costs increased by 5.8%, with the majority of the increase coming from new centres opened in recent years and the balance due to pay rises, enhanced training and investments in support functions. Underlying EBITDA increased by 13.2% to £8.6m.

Eleven new Autocentres were opened and two were closed, taking the total number of Autocentre locations to 314 at the end of the year. 24 centres were refurbished during the year, taking the total new or refurbished to just over 10% of the estate. 10-15 new centres will be opened in the year ahead and any sub-optimal centres will continue to be closed.

Strategic progress

The Autocentres strategy was launched in November 2014 and remains in place; with the focus on building trust with our customers. We continued to make good progress and we are seeing the improvements come through in customer service measures, but there remains much to be done.

The standards in our centres continued to improve, evidenced in an improvement in customer retention and Net Promoter Score. We have introduced a new quality team, with the objective of continuing to improve the quality of workmanship. Following the trial of a new centre concept in Croydon in 2014 we have been rolling out to the rest of the estate some of the elements that have worked well, including customer service pods, TV screens, Wi-Fi, coffee and large viewing windows. In the year all eleven new centres were opened in the new concept style and we also refreshed 24 centres. We will continue to refresh centres during FY17.

During the year we have increased the number of services you can book on the web and added timed slots. We have trialled more customer-focused opening hours, such as Sundays and weekday evenings, and we are rolling this out on a gradual basis. We also trialled interest-free credit during the year and rolled this out across the business in February 2016.

In terms of leveraging the Halfords brand, we have continued to run a basic car check service consistently across our stores and garages. In addition to using Halfords car batteries and oils, our garages are now also using Halfords antifreeze. For the first time we have started to send emails to the Halfords Retail customer database to promote Autocentres' services.

We have continued to invest in our people; training around 750 technicians in the year and continuing to invest in our apprentice scheme. Our training programmes are now externally recognised by the Automotive Technician Accreditation. We are also introducing a new technician pay grading to suitably reward technicians and provide a clearer development path.

Outlook

We remain committed to new centre openings, along with the continuation of a roll-out across the wider estate of the refresh programme. We are also investing in a new electronic point of sale system, which will enable us to stock and sell Retail products in our centres, jointly source parts with Retail and implement an e-diary.

Read the **Chief Executive's Statement** on pages 4 to 5

See our **Key Performance Indicators** on pages 22 to 23

Our Key Performance Indicators

Shareholder KPIs

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 0.5% year-on-year.	2014 £72.8m 2015 £81.1m 2016 £81.5m
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.	EPS rose by 1.5%, reflecting the change in underlying profit before tax and the lower effective tax rate.	2014 28.8p 2015 32.7p 2016 33.2p
Underlying EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation before non-recurring items.	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 4.3%.	2014 £101.1m 2015 £109.9m 2016 £114.6m
Dividend per Ordinary Share	Cash returned to shareholders as a return on their investment in the Company.	To grow the dividend every year with cover of around 2x underlying earnings on average over time.	The Board has recommended a final dividend of 11.3 pence per share (FY15: 11.0 pence) taking the full year dividend to 17.0 pence, an increase of 3.0%.	2014 14.3p 2015 16.5p 2016 17.0p
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.	Net Debt has reduced from £61.8m to £47.9m, reflecting the Group's strong track record of operating cash generation.	2014 £99.6m 2015 £61.8m 2016 £47.9m
Capital structure	Represented by Net Debt to EBITDA.	We target a ratio of 1x, with a range of up to 1.5x to allow for appropriate M&A. We will arrive at the debt target over time.	The Group had Net Debt to EBITDA of 0.4x at the end of FY16.	2014 1.0x 2015 0.6x 2016 0.4x

Operational KPIs

KPI	Definition	Commitment	Performance	Historic Performance
Proportion of trained Retail colleagues	Measures the progress of our colleagues through the 3-Gears training programme.	We aim to have the majority of our colleagues trained to Gear 2 plus around two colleagues per store trained to the Gear 3 "guru" level.	By the end of the year 72% of our eligible Retail store colleagues were qualified at Gear 2 level. We also have a further 600 colleagues at Gear 3 level (equivalent to 1.3 per store).	2014 0% 2015 46% 2016 72% The above numbers represent the proportion of colleagues qualified at Gear 2 level
Service-related Retail sales growth	Service-related sales is the income derived from the fitting or repair services themselves along with the associated product sold within the same transaction.	To grow service-related sales faster than total Retail sales growth.	Service-related sales grew by 8.5% in the year, with growth across the suite of our fitting and repair services.	2014 9.0% 2015 8.1% 2016 8.5%
Proportion of Retail sales matched to a customer	The proportion of sales in Halfords Retail that can be matched to a specific customer in our database.	To increase our understanding of who our customers are. We will do this by adding to our customer databases and combing them to create a single customer view.	For the 12 months to April 2016 we can match 15% of Retail sales to customers, up from 3% previously.	2014 n/a 2015 3% 2016 15%
Autocentre openings	The number of Autocentres opened in the year.	We believe that there is significant potential for new centres in the UK. We currently anticipate opening 10-15 a year over the medium-term.	11 centres were opened during the year, all in the new concept style.	2014 23 2015 9 2016 11
Cycle Republic stores (cumulative)	The number of Cycle Republic stores that are trading.	We do not have a fixed store rollout target. However we guided to have around 10 stores by the end of FY16.	We opened 6 stores in FY16, including our flagship store in Fenchurch Street, London, taking the total to 10 at the end of the year.	2014 0 2015 4 2016 10
Store and centre refreshes	The number of Retail stores and Autocentres refreshed in the year.	We are committed to refreshing the design of our stores and centres in order to improve the customer experience.	During the year we refreshed 25 Retail stores and 24 Autocentres.	2014 27 2015 45 2016 25 The above numbers represent the number of Retail stores refreshed
Online sales as a proportion of total Retail sales	Online sales as a proportion of total Retail sales.	We are committed to improving our online shopping experience for customers.	In FY16 our online sales represented 12.1% of total Retail sales. This proportion was unchanged in the year and reflects the higher mix of cycling sales online.	2014 11.3% 2015 12.1% 2016 12.1%

Chief Financial Officer's Review

Halfords Group plc (the "Group")

"

Group revenue in FY16, at £1,021.5m, ***was up 1.7%*** and comprised Retail revenue of £868.5m and Autocentres revenue of £153.0m.

Jonny Mason
Chief Financial Officer

£81.5m

Underlying Group Profit Before Tax

+1.5%

Underlying Basic Earnings Per Share

Read the **Chairman's Statement** on page 3

Read the **Chief Executive's Statement** on pages 4 to 5

Reportable Segments

Halfords 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 FY16 accounting period represents trading for the 52 weeks to 1 April 2016 (the "financial year"). The comparative period FY15 represents trading for the 53 weeks to 3 April 2015 (the "prior year"). We believe that the 52 week proforma results for FY15 better reflect the underlying performance of the business when compared to FY16. On this basis, all commentary included in this report is based on the 52 week period to 27 March 2015 unless otherwise stated.

Financial Results

	52 weeks Ended 1 April 2016 £m	Audited 53 weeks Ended 3 April 2015 £m	Unaudited 52 weeks Ended 27 March 2015 £m	52 week change
Group Revenue	**1,021.5**	1,025.4	1,004.9	+1.7%
Group Gross Profit	**543.1**	546.3	535.1	+1.5%
Group Underlying EBIT*	**84.5**	87.6	84.6	-0.1%
Group Underlying EBITDA**	**114.6**	113.3	109.9	+4.3%
Net Finance Costs	**(3.0)**	(3.5)	(3.5)	-15.0%
Profit Before Tax and non-recurring items	**81.5**	84.1	81.1	+0.5%
Profit Before Tax, after non-recurring items	**79.8**	83.8	80.8	-1.2%
Basic Earnings per Share, before non-recurring items	33.2p	34.1p	32.7p	+1.5%

* 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

Group revenue in FY16, at £1,021.5m, was up 1.7% and comprised Retail revenue of £868.5m and Autocentres revenue of £153.0m. This compared to FY15 Group revenue of £1,004.9m, which comprised Retail revenue of £857.9m and Autocentres revenue of £147.0m. Group gross profit at £543.1m (FY15: £535.1m) represented 53.2% of Group revenue (FY15: 53.2%), reflecting a decrease in the Retail gross margin of 30 basis points ("bps") to 51.2% and an increase in the Autocentres gross margin of 90 bps to 64.3%.

Total Operating Costs before non-recurring items increased to £458.6m (FY15: £450.5m) of which Retail represented £363.0m (FY15: £359.3m), Autocentres £94.5m (FY15: £89.3m) and unallocated costs £1.1m (FY15: £1.9m). 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 Limited and Boardman International Limited (together, "Boardman Bikes") in June 2014, which arise on consolidation of the Group.

Group EBITDA before non-recurring items increased 4.3% to £114.6m (FY15: £109.9m), whilst net finance costs were £3.0m (FY15: £3.5m).

Group Profit Before Tax and non-recurring items for the year was up 0.5% at £81.5m (FY15: £81.1m).

Non-recurring costs during the year represented organisational restructuring costs of £1.7m across Retail and Autocentres. Net non-recurring costs in the prior year were £0.3m and are explained later in this report. Group Profit Before Tax in the year after non-recurring items was £79.8m (FY15: £80.8m).

Halfords Retail

	52 weeks Ended 1 April 2016 £m	53 weeks Ended 3 April 2015 £m	52 weeks Ended 27 March 2015 £m	52 week change
Revenue	**868.5**	875.1	857.9	+1.2%
Gross Profit	**444.8**	451.1	442.0	+0.6%
Gross Margin	**51.2%**	51.5%	51.5%	
Operating Costs	**(363.0)**	(365.7)	(359.3)	+1.0%
EBIT before non-recurring items	**81.8**	85.4	82.7	-1.1%
Non-recurring items	**(1.2)**	(0.3)	(0.3)	
EBIT after non-recurring items	**80.6**	85.1	82.4	-2.2%
EBITDA before non-recurring items	**106.0**	105.4	102.4	+3.5%

Revenue for the Retail business of £868.5m reflected, on a constant-currency basis, a like-for-like ("LFL") sales increase of 1.3%. Non-LFL stores, including 6 new Cycle Republic store openings since the prior year, contributed £5.2m revenue in the year.

Motoring sales represented 66% of Retail sales and grew by 2.5%. Car Maintenance LFL revenues increased by 3.4%. Growth in sales of car parts and workshop products more than offset a decline in winter-related products. The fitting and sale of bulbs, blades and batteries ("3Bs") continued to grow, helped by new innovation in the year such as the 130% brighter bulbs, and our Halfords branded oil maintained its number one market position. Car Enhancement LFL revenues increased by 1.0%. Dash cams and in-car connectivity sales grew strongly, reflecting Halfords' authority in these categories, supported by exclusive products, innovation and expert service.

Audio sales increased, driven by good growth in fitting services. Sat Nav sales continued to be impacted by structurally-declining markets, with sales down in the year. Travel Solutions LFL revenues increased 2.8%, driven by child car seats and camping equipment.

Cycling sales declined by -0.9% on a like-for-like basis, driven by the -7.6% LFL recorded in Q2 offsetting positive or flat LFL performance in each of the other quarters. Q2's performance reflected particularly strong comparatives exacerbated by poor weather, discounting across the market and annualising against the Yorkshire Grand Départ of the Tour de France. Since then, bike sales have been in growth in each of Q3 and Q4. Parts, Accessories and Clothing ("PACs") sales declined in the year and this is a focus area for us to improve over the medium-term, beginning with the launch of the new Cycle Republic website in a few weeks' time. Cycle Repair sales grew strongly in the year, reflecting our investments in equipment and colleagues, along with our focus on driving service-related sales.

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

	52 weeks Ended 1 April 2016 %	53 weeks Ended 3 April 2015 %
Cycling	**34.3**	34.7
Car Maintenance	**32.9**	32.4
Car Enhancement	**21.6**	21.8
Travel Solutions	**11.2**	11.1
Total	**100.0**	100.0

Chief Financial Officer's Review continued

Gross profit for the Retail business at £444.8m (FY15: £442.0m) represented 51.2% of sales, 30bps down on the prior year (FY15: 51.5%). The margin-accretive factors principally comprised the mix benefit out of Cycling into higher margin Motoring along with the strong growth of service-related sales. These were more than offset by greater promotional activity in Cycling during the summer and increased third-party-branded product mix.

Operating Costs before non-recurring items were £363.0m (FY15: £359.3m). The breakdown is set out below:

	52 weeks Ended 1 April 2016 £m	53 weeks Ended 3 April 2015 £m	Change
Store Staffing	103.0	99.7	+3.3%
Store Occupancy	138.3	139.3	-0.7%
Warehouse & Distribution	45.7	43.5	+5.0%
Support Costs	76.0	76.8	-1.0%
Total Operating Costs before non-recurring items	363.0	359.3	+1.0%

Store Staffing costs increased by 3.3%, due mostly to the anniversary of the uplift in the national minimum wage and the 3-Gears wage uplifts. The opening of 6 Cycle Republic stores also contributed to the increase. Partially offsetting these costs were improvements to in-store processes, such as bike building, stock put-away and cash counting. We're currently working on the next batch of process re-engineering ideas.

Store Occupancy costs decreased by 0.7%. Cost increases from rates, depreciation and Cycle Republic opening costs were offset by reduced rental charges as a result of favourable lease renegotiations.

Warehouse & Distribution costs increased by 5.0%. The year began with the continued operation of the in-house 5-day-a-week delivery schedule, before switching to the more cost effective out-sourced 3-day-a-week delivery schedule at the beginning of August 2015. After three previous years of double digit % cost increases in Warehouse & Distribution costs and a period of transition over the last 18 months, we now have a stable solution that is delivering good availability. In the second half of the year costs decreased 10.9% on the prior year.

Support Costs decreased by 1.0%, reflecting lower bonus accruals and efficiencies within marketing, including a rationalisation of the supplier base and a shift in the mix of activity towards digital marketing, partially offset by the impact of pay rises and increased depreciation.

The non-recurring items in the year represented organisational restructure costs.

Fast Fact*

Every **4 seconds** a shop was open a bulb, blade, or battery was fitted

Fast Fact*

Every **2 minutes** a shop was open an in-car audio product was fitted

*Fast Fact figures relate to 4th April 2015 - 1st April 2016

Halfords Autocentres

	52 weeks Ended 1 April 2016 £m	53 weeks Ended 3 April 2015 £m	52 weeks Ended 27 March 2015 £m	52 week change
Revenue	**153.0**	150.3	147.0	+4.1%
Gross Profit	**98.3**	95.2	93.1	+5.6%
Gross Margin	**64.3%**	63.4%	63.3%	
Operating Costs	**(94.5)**	(91.1)	(89.3)	+5.8%
EBIT before non-recurring items	**3.8**	4.1	3.8	—
Non-recurring charges	**(0.5)**	—	—	
EBIT after non-recurring items	**3.3**	4.1	3.8	-13.2%
EBITDA before non-recurring items	**8.6**	7.9	7.6	+13.2%

Autocentres generated total revenues of £153.0m (FY15: £147.0m), an increase of 4.1% on the prior year with a LFL revenue increase of 2.5%. LFL tyre revenues decreased by 3.0% and represented 16.5% of total LFL revenues (FY15: 17.5%). Online-booking revenues grew 18.6% in the year and represented 19% of sales.

Gross profit at £98.3m (FY15: £93.1m) represented a gross margin of 64.3%; an increase of 90 bps on the prior year. The mix out of lower margin tyres combined with improved service, MOT and repair margins has driven the variance.

Autocentres' EBITDA before non-recurring items of £8.6m was 13.2% higher than FY15 (FY15: £7.6m), with the upside in gross profit being offset by continued cost investments as part of the on-going growth strategy. EBIT before non-recurring items was flat at £3.8m (FY15: £3.8m).

The non-recurring items in the year represented organisational restructure costs.

Portfolio Management

The Retail store portfolio at 1 April 2016 comprised 472 stores (end of FY15: 467).

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

	Number	Stores
Relocations	2	Belfast (Connswater) & Biggleswade
Lease re-gears	25	Shoreham, Putney, Eastleigh, Fareham, Watford, Hamilton, Peterhead, Glasgow (Rutherglen), Loughton, Newhaven, Hove, Cardiff, Sheldon, Kingston-upon-Thames, Leicester (Putney Road), Camborne, Oldbury, Eastbourne, Southend, Newcastle (Kingston Park), Plymouth, Romford, Hedge End, Merthyr Tydfil, Gravesend
Rightsizes	1	Luton
Openings	6	Battersea, Bloomsbury (London), Bristol, Fenchurch Street (London), Manchester & Nottingham
Closures	1	Newcastle (Newgate Street)

The six openings in the Retail portfolio were all Cycle Republic. Eleven new Autocentres were opened and two were closed in the year, taking the total number of Autocentre locations to 314 as at 1 April 2016 (end of FY15: 305).

With the exception of eight long leasehold and two freehold properties within Autocentres, the Group's operating sites are occupied under operating leases, the majority of which are on standard lease terms, typically with a 5 to 15-year term at inception and with an average lease length of less than 7 years.

Management anticipates opening around 5 Cycle Republic stores and 10-15 Autocentres in FY17, as well as refreshing 15 to 25 Retail stores and Autocentres.

Net Non-Recurring expenses

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

	52 weeks Ended 1 April 2016 £m	53 weeks Ended 3 April 2015 £m
Asset impairment charges	**—**	(0.7)
Release of Focus lease-guarantee provision	**—**	0.2
Onerous lease provision release	**—**	0.2
Organisational restructure costs	**(1.7)**	—
Net non-recurring expenses	**(1.7)**	(0.3)

Chief Financial Officer's Review continued

In the prior year, all non-recurring items arose within the 52 week period to 27 March 2015.

In the current year organisational restructuring was undertaken across Autocentres and Retail, mainly in their support centres, to better align resource to the implementation of the new strategy.

Non-recurring costs in the prior year represented the net effect of: £0.7m charge in relation to the 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.

Finance Expense

The net finance expense for the year was £3.0m (FY15: £3.5m). Lower average debt and favourable interest rates following the amendment and extension agreed in November 2014 contributed to the reduced charge.

Taxation

The taxation charge on profit for the financial year was £16.3m (FY15: £18.0m), including a £0.3m credit (FY15: £0.1m charge) in respect of non-recurring items. The effective tax rate on profit before tax and non-recurring items of 20.5% (FY15: 21.5%) was higher than the UK corporation tax rate (20.0%) principally due to the effect of non-deductible depreciation charged on capital expenditure.

Earnings Per Share ("EPS")

Basic EPS before non-recurring items was 33.2 pence and after non-recurring items 32.5 pence (FY15: 32.7 pence before non-recurring, 32.5 pence after non-recurring), a 1.5% increase on the prior year. Basic weighted-average shares in issue during the year were 195.2m (FY15: 194.1m).

Dividend

The Board has recommended a final dividend of 11.3 pence per share ("DPS") (FY15: 11.0 pence), taking the full year dividend to 17.0 pence per share, an increase of 3.0%. If approved, the final dividend will be paid on 26 August 2016 to shareholders on the register at the close of business on 5 August 2016.

The Board continues to target to grow the dividend every year with an average cover of around 2 times over time.

Capital Expenditure

Capital investment in the year totalled £40.3m (53 week FY15: £37.5m) comprising £32.1m in Retail and £8.2m in Autocentres.

Within Retail, £13.4m (53 week FY15: £18.5m) was invested in stores, including 25 store refreshes, 3 of which were also store relocations or right-sizes, as well as general capital spend relating to training rooms, roofing, flooring and heating. By the end of FY16, 97 stores were trading in a refreshed format. Retail continued to roll out the Cycle Republic brand, opening 6 dedicated stores in the year. Additional investments in Retail infrastructure included a £17.4m investment in IT systems, such as continual development of the online Retail proposition, refresh of store tills, investment in vehicle recognition software and tablets in store and investment in the underlying web platform.

The £8.2m (53 week FY15: £6.8m) investment in Autocentres comprised of the opening of 11 centres in the year (FY15: 9) along with investment in refreshing centres and new equipment.

On a cash basis, total capital expenditure in the year was £38.5m (53 week FY15: £39.6m).

Inventories

Group inventory held as at the year-end was £157.9m (FY15: £149.3m). Retail inventory increased to £156.5m (FY15: £147.8m) mostly due to the impact of foreign exchange. Autocentres' inventory was £1.4m (FY15: £1.5m).

Cashflow and Borrowings

Cash generated from operating activities during the year was £103.7m (53 and 52 weeks FY15: £142.2m). In the prior year there was a reduction in working capital of £25.3m partly due to the change in timing of year end, compared to an increase of £11.2m in FY16. After taxation, capital expenditure and net finance costs, free cash flow of £45.4m (FY15: £66.4m) was generated in the year.

Group net debt was £47.9m (53 and 52 week FY15: £61.8m), with the non-lease-adjusted 12-month net debt: EBITDA ratio at 0.4:1.

Financial Guidance

In November 2015 we set out our medium term financial target of maintaining Group EBITDA % roughly flat as we invest to drive sustainable long-term growth. We also stated that we expected FY17 Group Profit Before Tax to be broadly unchanged on FY16. This guidance was issued on the basis of a US Dollar exchange rate of $1.50. There is no change to this profit guidance other than the impact of the extent to which the US Dollar rate varies from our original planning assumption of $1.50. Each year we buy goods worth approximately £200m denominated in US Dollar and about half of that is hedged in advance. The impact on cost of goods of a 5 cent move in exchange rate (for example from $1.50 to $1.45) would be around £3m in a full year.

Getting into the *community spirit*

Storm Desmond flooded the UK in December leaving many in Cumbria needing help. At Penrith colleagues held a collection for unwanted clothing and furniture for those whose homes had been damaged and also donated a number of household batteries, hand warmers, sponges, buckets, torches, snow shovels and hand wipes to aid people in their clean-up efforts.

Jerry cans were also sent to mountain rescue to help them get water to people who had supplies cut off and two jumpstart packs to allow people without power to start vehicles and charge mobiles. Well done Penrith for making a huge difference in the local community.

There is no change to our prevailing guidance on capital expenditure requirements in the medium term, which we continue to expect to average around £40m per annum for the Group over the next three years. In FY17 we anticipate this to be circa £45m, split as circa £35m in Retail and circa £10m in Autocentres. We anticipate the Group depreciation and amortisation charge to be circa £34m for FY17.

We anticipate the net finance expense to be circa £3m and an effective tax rate of circa 20% in FY17.

The timing of Easter is different year-on-year and we have estimated the impact on trading to be as follows:

- In Q1 FY17 there is no Easter compared to half an Easter period occurring in Q1 FY16. We estimate the impact of this will be circa 1% of LFL revenue in Q1 itself.
- In Q4 FY17 there will be no Easter compared to a full Easter in Q4 FY16. We estimate the impact of this will be circa 2% of LFL revenue in Q4 itself.

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 and Accounts the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described on pages 30 to 33 and in note 20 of the Annual Report and Accounts. These include:

- Economic risk
- Business strategy risks
- Competitive risks
- Compliance
- Supply chain disruption
- 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.

Jonny Mason
Chief Financial Officer
1 June 2016

Our Principal Risks and Uncertainties

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. Our corporate risk register is maintained by the Head of Internal Audit and Risk and is regularly updated following discussions with executives and senior management. It is subject to an annual indepth review by the Audit Committee. The Audit Committee is also alerted to any material changes to the register at each of its meetings. The Board is regularly updated on Audit Committee proceedings.

The directors have therefore carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance, solvency or liquidity. The Corporate Governance report on pages 40 to 47 further discusses the Board's responsibilities in relation to risk management and internal control systems.

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 objectives. Responsibility for taking the necessary actions to manage risk is delegated to appropriate colleagues in the business, with executive manager sponsor involvement.

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 could be compromised by the any of the risks set out below. Individual 'Moving Up a Gear' initiatives are reliant on some of the mitigations identified. For example 'Service into our DNA' delivery is reliant on full utilisation of our online training system and on our ability to attract and retain good colleagues. 'Better shopping experience' 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 104-107.

Key Risk and Uncertainty	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. In addition there is, at the time of publishing this report, uncertainty surrounding the outcome of the EU membership vote.	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. Key investments could fail to deliver sufficient returns. The Autocentres and Cycle Republic businesses could fail to meet growth expectations.	The Group has set out its 'Moving Up a Gear' strategy. Strategic issues 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. The Group has delegated authorities processes to approve significant investments, including review by an Investment Committee and the Board. 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.

Key Risk and Uncertainty	Mitigation
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 'Moving up a 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, customer knowledge (including e-receipts) 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 WeFit 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 products benefit from association with well-known cyclists and designers. Our Autocentres business continually seeks to provide innovative solutions for their customers, such as 'brakes4life'.
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 Committee, 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

Our Principal Risks and Uncertainties

Key Risk and Uncertainty	Mitigation
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. UK withdrawal from the EU could impact on our supply chain. 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.
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; colleagues who have successfully passed 'Gears' training programmes receive a premium; 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.

Key Risk and Uncertainty	Mitigation
Information Technology ("IT" Systems and Infastructure)	
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 and patching strategy, and a hotlink secure data centre hosted in a different location. IT recovery processes are tested regularly. We review our IT security processes and risk assessments on an ongoing basis and our IT team has dedicated IT security and continuity experts. We utilise appropriate firewalls, 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 pages 60 to 62 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.

Fast Fact*

34

Products in the new ***Olive and Orange by Orla Kiely collection*** launched on the 20th May 2016

*Fast Fact figures relate to 4th April 2015 - 1st April 2016

Our *Governance*

A very *special delivery*

Talk about going above and beyond… Chris Smart, from Bodmin, made a magnificent gesture on Christmas Day. He personally delivered two children's bikes to a local family after discovering on social media that they had been unable to collect them in time.

The children were disappointed not to receive their presents and the distraught family posted their tale on Facebook. Chris noticed the post, went to the shop to pick up two bikes and then took them straight to the family's home.

There were huge smiles all round and the grateful family sent him 'the biggest thank you in the world' on Facebook.

Board of Directors

Dennis Millard N R
Chairman

Dennis has been Chairman of the Group since 28 May 2009. His former appointments include Chairman of Connect Group plc, Non-Executive Director and Senior Independent Director of Premier Farnell plc, Chief Financial Officer of Cookson Group plc, Finance Director of Medeva plc and a member of the Economics Affairs Committee CBI.

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 is a Non-Executive Director for Debenhams plc.

Jill McDonald N C
Group Chief Executive Officer

Jill has been Group Chief Executive Officer since 11 May 2015. Previously Jill was 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 at Colgate Palmolive and British Airways.

Jill 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.

Jonny Mason
Chief Financial Officer

Jonny joined the business as Group Chief Financial Officer on 12 October 2015. Jonny was previously CFO of Scandi Standard AB, a Scandinavian company that successfully listed in Stockholm in June 2014. Prior to this, he was CFO at Odeon and UCI Cinemas and Finance Director of Sainsbury's Supermarkets. His early career was at Shell and Hanson plc.

Jonny brings a broad range of financial experience across consumer facing and retail businesses. He is a strong leader with a track record in a range of business contexts. Jonny is a Director of the charity Dimensions (UK) Limited.

David Adams A N R
Senior Independent Director

David has been a Non-Executive Director since 1 March 2011 and Senior Independent Director since 1 March 2014. 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 2009. In addition, he has held several Executive and Non-Executive roles in 30 years in retailing including ten 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 and Non-Executive Director and Chairman of the Remuneration Committee at Elegant Hotels Group plc.

Claudia Arney A N R
Independent Non-Executive Director

Claudia joined the Board as a Non-Executive Director in January 2011 and became Remuneration Committee Chairman in March 2014.

Claudia was previously Chairman of The Public Data Group, Deputy Chairman and Senior Independent Non-Executive Director of TelecityGroup, and a Board Member of the Shareholder Executive. In her executive career she was Group Managing Director, Digital at EMAP, Director of the Enterprise and Growth Unit at HM Treasury and Managing Director of TheStreet.co.uk. She has also worked at Goldman Sachs, FT.Com and Mckinsey. Claudia brings extensive experience of building digital businesses, strategy formulation and business transformation.

Claudia is currently a Non-Executive Director of Aviva plc, Derwent London plc and the Premier League.

Helen Jones C A N R
Independent Non-Executive Director

Helen joined the Board as a Non-Executive Director on 1 March 2014.

Helen is currently a senior executive at Caffé Nero and is a member of Ben and Jerry's Independent Board of Directors. 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, **C** = Corporate Social Responsibility 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 1 April 2016.

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:

Directors' Report

Principal activities

The principal activities of the Group are: the retailing of automotive, leisure and cycling products from its Halfords and Cycle Republic retail stores and car servicing and repair from its Autocentres outlets. 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.

Strategic report

In accordance with Section 414A of the Companies Act 2006, the Directors have chosen to set out in the Strategic Report the following information required to be included in the Directors' Report:

Likely future developments – page 4;
Greenhouse Gas Emissions – page 53;
Use of Financial Instruments – Note 20 to the Group Financial Statements; and
Charitable Donations – page 52
The Corporate Governance Report on pages 40 to 47 is a statement for the purposes of Disclosure and Transparency Rule 7.2.1.

Profits & dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 79. The profit before tax on ordinary activities was £81.5m (2015: £83.8m) and the profit after tax amounted to £64.9m (2015: £65.8m). The Board proposes that a final dividend of 11.34 pence per ordinary share be paid on 26 August 2016 to shareholders whose names are on the register of members at the close of business on 5 August 2016. This payment, together with the interim dividend of 5.66 pence per ordinary share paid on 22 January 2016, makes a total for the year of 17 pence per ordinary share. The total final dividend payable to shareholders for the year is estimated to be £22m.

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 23 are appropriate measures to assess 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 1 April 2016 and, unless otherwise stated, at the date of this Annual Report:

Dennis Millard
Jill McDonald (appointed 11 May 2015)
Jonny Mason (appointed 12 October 2015)
David Adams
Claudia Arney
Helen Jones
Matt Davies (resigned 30 April 2015)
Andrew Findlay (resigned 1 October 2015)

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 1 April 2016 will retire and offer themselves for re-election at the 2016 AGM. Jonny Mason, who was appointed on 12 October 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.

Colleagues

The Group strives to meet its business objectives by motivating and encouraging all colleagues to be responsive to the needs of our customers and continually improve operational performance. This is delivered through a range of structured training and development programmes, such as "Gears in Retail", where Retail colleagues progress through a structured series of e-learning, face to face and shop floor experience modules and are then recognised for their success through certification, career progression and increased pay awards. Autocentres runs, in conjunction with the IMI, a number of Technical Training Courses that are designed to develop colleagues' skills. Similar to Retail, it has its own version of the "Gears in Retail" programme which supports colleagues' development and rewards via a pay matrix. Autocentres has become the first organisation in 50 years to be authorised by the DVSA to train MOT Testers in-house. In addition we run a Leadership Development programme, called Aspire, to identify, nurture and develop colleagues across the Group, with potential to be our leaders of the future. This continues our drive to develop from within.

The Group is committed to providing equality of opportunity to colleagues and potential colleagues. This applies to recruitment, training, career development and promotion for all colleagues, 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 an established framework of colleague communications, 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.

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

The Group has a £170m five-year revolving credit facility, ending in November 2019. At the year end, the Group had undrawn borrowing facilities of £143m (2015: £117m). 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. 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.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three year period to 1 April 2019. The directors believe this period to be appropriate as the Company's strategic planning encompasses this period, and because it is a reasonable period over which the impact of key risks can be assessed within a fast-moving retail business.

The Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due at least until 1 April 2019.

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

- a robust assessment of the impact, likelihood and management of principal risks facing the Group, with a focus on those risks that could threaten its business model, future performance, solvency or liquidity or sustainability. The assessment considered how risks may develop over three years.; and
- financial analysis and forecasts showing current financial position and performance, cash flow projections, funding requirements and funding facilities.

Branches

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

Political donations

The Group made no political donations and incurred no political expenditure during the year (FY15: 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.

Creditor payment policy

The Group does not follow any formal code of practice on payment, instead it agrees terms and conditions for transactions when orders for goods or services are placed, and includes relevant terms in contracts, as appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by suppliers. The number of trade creditor days outstanding as at 1 April 2016 for the Group was 63 days (2015: 70 days). The Company is a holding company and has no trade creditors.

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 107. 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 29 April 2016, this being the latest practicable date, 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 Investment Management LLP	23,028,046	11.57
Schroders Plc	13,914,607	6.99
Jupiter Asset Management Limited	11,142,795	5.60
Hargreave Hale Inv. Management	9,357,593	4.70
Rathbone Brothers Plc	8,501,088	4.27
Norges Bank Inv. Management	7,511,888	3.77
Invesco Limited	7,452,297	3.74
Ameriprise Financial Inc	7,410,238	3.72
J O Hambro Capital Management Limited	6,421,133	3.22

Authority to purchase shares

At the 2015 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 5 June 2015, such authority expiring at the conclusion of the AGM to be held in 2016 or, if earlier, on 30 September 2016.

Disclosures required by listing rule 9.8.4R

Disclosures required by the FCA's Listing Rule 9.8.4R can be found on the following pages:

- Long term incentive schemes (Performance Share Plan) — pages 59 and 61; and
- Waiver of dividends — page 38

Important events since year end

On 24 May 2016, the Group acquired 100% of the issued share capital of Tredz Limited and Wheelies Direct Limited. Further information regarding this acquisition can be found on page 111 in note 28 to the Group Financial Statements.

Annual general meeting

The AGM will be held at the Hilton Garden Inn, 1 Brunswick Square, Brindley Place, Birmingham B1 2HW on Tuesday 26 July 2016. 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
Tim O'Gorman
Group Company Secretary
1 June 2016

halfords

Corporate Governance Report

"The Board is ***committed*** to ensuring that ***high standards*** of governance, values and behaviours are consistently applied throughout the Group."

Dennis Millard
Chairman

50/50

The Halfords Board represented equally by female and male members

Fast Fact*

Halfords is a

Top 100

Apprenticeship Employer

*Fast Fact figures relate to 4th April 2015 - 1st April 2016

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 the trust of all stakeholders in Halfords.

As reported last year, Jill McDonald was appointed as Chief Executive Officer on 11 May 2015. In October 2015 the Board welcomed the new Chief Financial Officer, Jonny Mason, following the resignation of Andrew Findlay. Jonny joined the Company from Scandi Standard AB, a Scandinavian company, where he was CFO. Prior to that he was CFO at Odeon and UCI Cinemas and Finance Director of Sainsburys Supermarkets. He brings to the Board a broad range of financial experience across consumer facing and retail businesses.

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 2014.

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

Dennis Millard
Chairman
1 June 2016

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 2014 (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 1 April 2016, 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.

Board Composition and Succession

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 38 and the biographies of individual Directors, including any other business commitments, are available on page 36 and also at www.halfordscompany.com/investors/governance/the-board.

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.

Succession planning for the Board is on-going and the recent appointments of Jill McDonald and Jonny Mason are noted. Succession planning is also viewed at executive management level on an on-going basis.

Board Responsibilities

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 10 to 20.

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.

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.

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 acquisitions or disposals
- 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 budgets
- 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 page 44

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

'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 process and documentation 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 and Operating 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 Acts as an adviser to the CEO
Group Chief Executive	Develops the Group objectives and strategy for Board approval Creates and recommends to the Board an annual budget and three year financial plan Delivers the annual budget and 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 Chief Executive Officer 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 for example against the Listing Rules, 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 discharge these responsibilities effectively, the Board has additionally implemented a system of delegated authorities, which is described on page 41. 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

Board Member	Board Scheduled: 12	Audit Committee Scheduled: 3	Remuneration Committee Scheduled: 8	Nomination Committee Scheduled: 3
Executive Directors				
Jill McDonald	10 10	n/a	n/a	3 3
Jonny Mason	5 5	n/a	n/a	n/a
Matt Davies	1 1	n/a	n/a	0 0
Andrew Findlay	7 7	n/a	n/a	n/a
Non-Executive Directors				
Dennis Millard	12 12	n/a	8 8	3 3
David Adams	12 12	3 3	8 8	3 3
Claudia Arney	12 12	3 3	8 8	3 3
Helen Jones	11 12	3 3	7 8	3 3

Number of meetings attended by the individual (orange)

Number of meetings available to the individual (dark)

The table above shows the attendance of Directors at the meetings of the Board and of the Audit, Nomination and Remuneration Committees during the year ended 1 April 2016. Where a Director did not attend meetings owing to prior commitments or other unavoidable circumstances, they provided input to the Chairman so that their views were known. There was one Board meeting during the period where a CEO was not in post.

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, the Board considers specific reports, reviews 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's principal Committees are the Audit Committee, the Nomination Committee and the Remuneration Committee. In December 2015, the Board established a Corporate Social Responsibility ("CSR") Committee, comprising of directors and senior management and chaired by a Non-Executive Director. Each Committee has its terms of reference approved and regularly reviewed by the Board. 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 FY16 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 investment decisions of the Group are approved by an Investment Committee, chaired by the CFO. Similarly the treasury needs of the Group are managed by the Treasury Committee, chaired by the CFO, the 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 41 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;
- senior management succession plans; and
- retirements and appointments of additional and replacement Directors.

More information on **Diversity in the Group** can be found on pages 46 and 51

Read more within the **Nomination Committee Report** on page 48

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 54

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 proposal from the CEO; and
- maintaining an active dialogue with institutional investors and shareholder representatives

Read more within the **Remuneration Committee Report** on page 58

Committee	Chair:	Members:
Nomination Committee	Dennis Millard	David Adams Claudia Arney Helen Jones Jill McDonald
Audit Committee	David Adams	Claudia Arney Helen Jones
Remuneration Committee	Claudia Arney	David Adams Dennis Millard Helen Jones

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

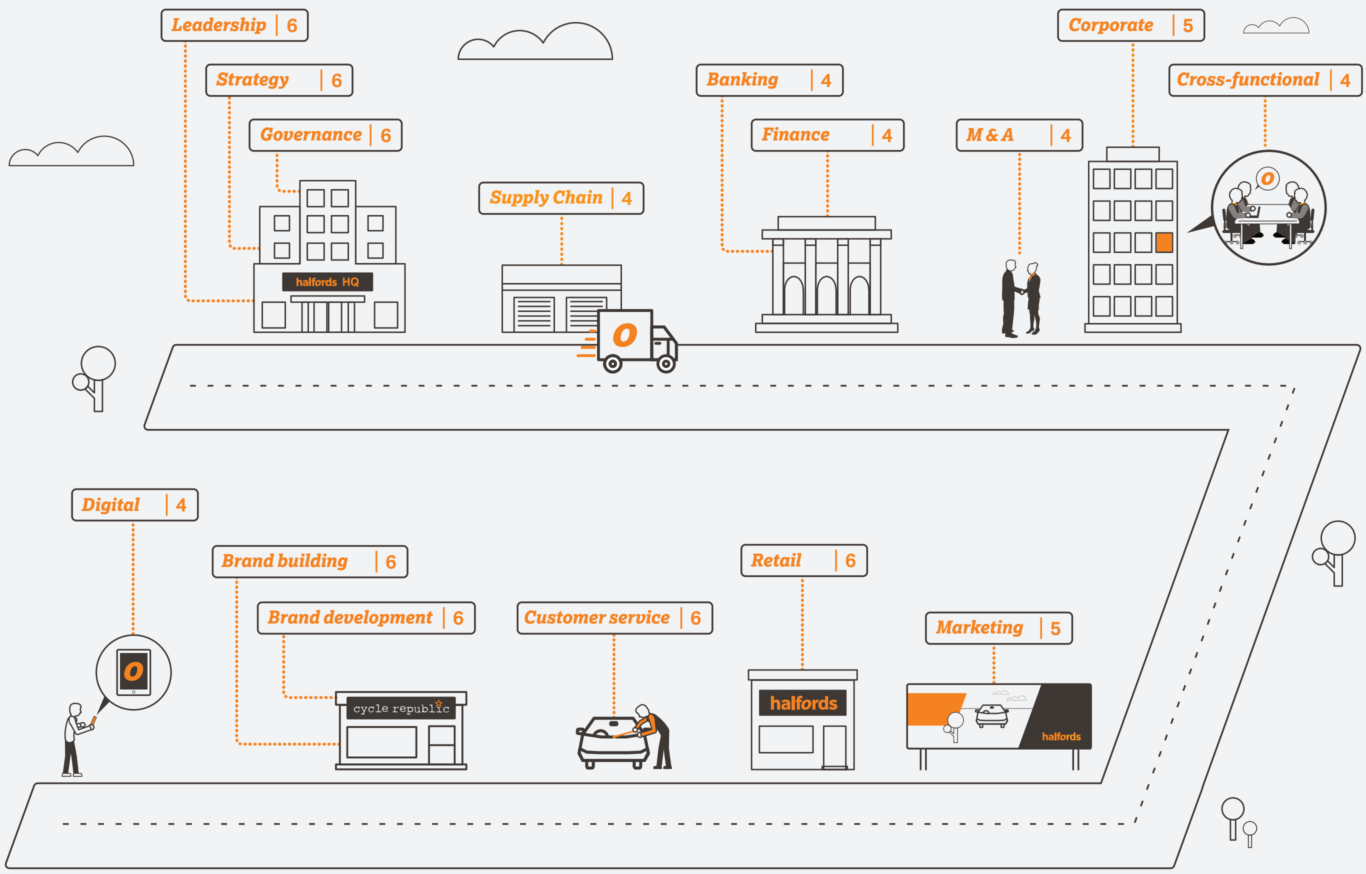
The Board considers David Adams, Claudia Arney and Helen Jones to be independent in character and judgement in accordance with the requirements of the Code. The Chairman, Dennis Millard, was considered independent on his appointment. In compliance with the requirements of the Code for at least half of the Board, excluding the Chairman, to be independent, the Company confirms that 60% of its Board are independent.

The 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.

Skills and Experience of the Board

Delivering the journey

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

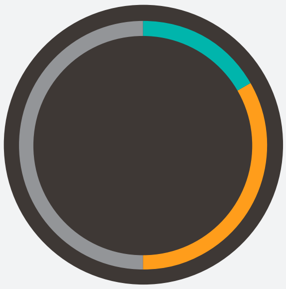


* Individual Directors may fall into one or more categories.

Represents the Board at the close of the period.

Corporate Governance Report continued

Balance of Non-Executive Directors: Executive Directors



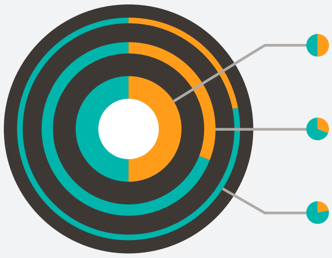
Male:Female
3:3

Length of tenure
0–3 years: 3
3–7 years: 3

Diversity

The Board has a Diversity Policy and in applying this to the Board also considers that it is the background and experience brought to the Board by each individual that best secures and demonstrates its diversity and commitment to its Diversity Policy. 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. At Halfords 50% of the Board is female. The chart below demonstrate the gender split at Board level, within senior management and across the workforce as a whole.



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

Appointments to the Board

As reported last year, Jill McDonald was appointed as Chief Executive Officer on 11 May 2015. On 1 October 2015, Andrew Findlay, Group Chief Financial Officer resigned after four 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, Jonny Mason joined the Board on 12 October 2015 as Chief Financial Officer. Jonny was formerly CFO of Scandi Standard AB, a Scandinavian company, and was previously CFO of Odeon and UCI Cinemas and Finance Director of Sainsburys Supermarkets. Jonny brings a broad range of financial experience across consumer facing and retail businesses. 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. On 18 January 2016, Tim O'Gorman was appointed as Company Secretary following the resignation of Justin Richards on 31 December 2015.

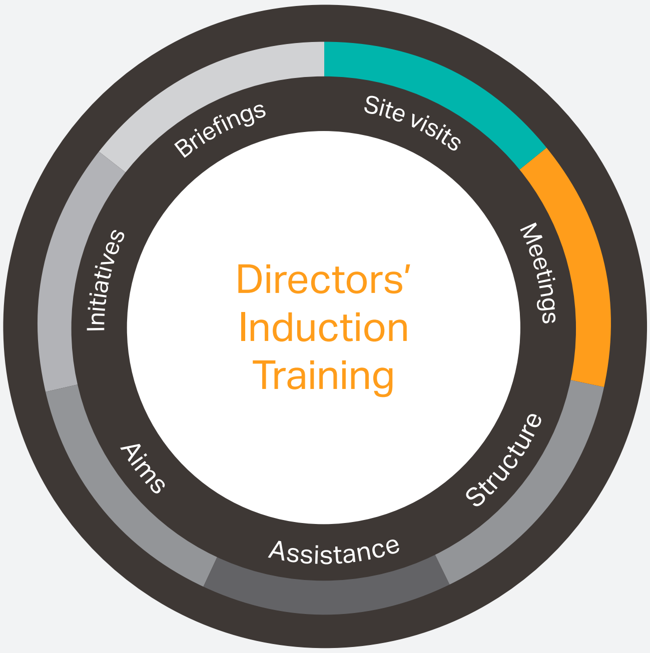
Directors' Induction

All new Directors receive a personalised induction programme, 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. Both Jill McDonald and Jonny Mason undertook a full induction programme prepared by the Chairman, with the assistance of the Company Secretary. Upon joining they were both 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.

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

The Code recommends that an evaluation of the effectiveness of the Board and its Committees is conducted annually and that this process is facilitated externally at least every third year. This year the evaluation process was carried out internally, having been externally facilitated last year by Linstock.

This year's evaluation required each Director to respond to a questionnaire devised by the Company Secretary and agreed with the Chairman. The process considered the Board's composition, strengths and weaknesses, its range and balance of skills, experience, independence and knowledge of the Company, its diversity including gender diversity, how the Board works together as a unit, risk management, succession planning and any training issues.

Following this review, the Chairman has considered the results of the performance evaluation and has taken steps to address any weaknesses. The Board will continue to take proactive steps to address recommended improvements.

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

- additional time with the other Non-Executive Directors and the Chairman; and
- additional Company specific training.

Re-election

In compliance with the Code and the Company's Articles of Association, all Directors on the Board as at 6 June 2016, will seek re-election at the Company's AGM. Jonny Mason 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 58 to 72.

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 54 to 57.

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 1 April 2016, 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 8 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 30 to 33.

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

Tim O'Gorman
Company Secretary
1 June 2016

Nomination Committee Report

. . . a more ***balanced*** Board and Executive Management Team continues to work to ***ensure*** this is replicated across the entire business . . .

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

Chairman's Letter

This was a busy year for the Committee. In addition to its key responsibility of ensuring that effective Board and Committees and succession plan for key executives are in place, the Committee oversaw the process for the appointment of the Group's new Chief Financial Officer, Jonny Mason.

I was delighted that Jonny agreed to join the Group and take up the role of CFO. He has brought a broad range of financial experience across consumer facing and retail businesses. Additional information on the activities of the Committee, including the details of the process leading to the appointment of the new CFO and the services provided by Russell Reynolds Associates executive search agency, are set out in this report.

There were three meetings held during the year, attended by all members and after each Committee meeting, I reported to the Board on the key issues that we had discussed. 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/investors/governance/our-committees.

Dennis Millard
Chairman of the Nomination Committee
1 June 2016

Committee Composition

Dennis Millard (Chairman)
David Adams
Claudia Arney
Helen Jones
Matt Davies (resigned 30 April 2015)
Jill McDonald (joined 11 May 2015)

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 CFO, following Andrew Findlay's resignation. The Committee set out the types of skills and attributes it envisaged a new CFO would possess, which it captured in its briefing to executive search agency, Russell Reynolds Associates, which identified potential candidates for the role. Committee members interviewed candidates for the role and thereafter recommended the recruitment of Jonny Mason to the Board. Russell Reynolds Associates does not have any other connection with the Company.

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). Following the appointment of Jill McDonald as the Group's CEO in May 2015, we have a Board where 50% of its members are female.

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 Board diversity can be found on page 46 and gender diversity in the Group as a whole on page 46 and 51.

Looking Ahead

In the year ahead, the Nomination Committee will continue to assess the Board composition and how it may be enhanced.

Corporate Social Responsibility Committee Report

> "Helping to keep families safe on their journeys and ***encouraging*** an active lifestyle."

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

An audit of our CSR activities revealed that although there is a huge amount taking place across the business it is sometimes isolated and fragmented. I was therefore delighted to be asked to Chair a new Board Committee: to bring all this activity together, to define our CSR strategy, to agree priorities; to set our objectives and agree our measurements of success. Our strategy now centres on the following four areas:

- Finding, supporting and developing great people throughout their Halfords journey;
- Helping to keep families safe on their journeys and encouraging an active lifestyle;
- Managing our impact on the environment in a responsible and ethical manner; and
- Maintaining the highest standards amongst our suppliers.

Our new CSR Committee has adopted Terms of Reference and approved a CSR Policy. These are available at http://www.halfordscompany.com/investors/governance/our-committees/csr-committee. We will meet at least three times a year and review the progress we are making in these four key areas.

Helen Jones
CSR Committee Chairman
1 June 2016

Awards

halfords THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2016

For the third year running Halfords featured in the Sunday Times Top 25 best Companies to work for, staying at 18th place for the second year in a row.

Apprenticeships TOP 100 EMPLOYER 2015 — Brought to you by National Apprenticeship Service — Sponsored by City & Guilds

Halfords was named a Top 100 Apprenticeship provider by the Skills Funding Agency.

Retail Week 2016 AWARDS with ORACLE FINALIST

Halfords was a finalist for Retail Week's CSR Initiative of the Year.

NATIONAL CSR AWARDS WINNER 2016

Halfords and Re~Cycle won Third Sector Business Charity's Partnership award and a National CSR Community Partnership Award for their collaboration.

Finding, supporting and developing great people throughout their Halfords journey

We continue to aim to be an employer of choice, where colleagues enjoy equal opportunities to help customers and to prosper within a rewarding and inspiring team. We strive to ensure all colleagues enjoy their work and have opportunities to consistently amaze customers through their friendly expertise. As such, we continue to invest in our 3-Gears, apprenticeship and leadership development programmes and actively look for ways in which we can promote and increase the diversity of our workforce.

3-Gears programme

Our ability to offer great service is one of our key differentiators and a central part of our strategy, under the 'Service in our DNA' pillar. 3-Gears, a qualification programme that trains and rewards retail colleagues as they progress through the gears and gain expertise, has a fundamental role to play in helping us progress.

- Gear 1 applies to all colleagues and is completed over their first three-month period with Halfords.
- 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.
- Gear 3 colleagues are our Gurus. They are product experts who are qualified to train others. In FY16 we introduced a new motoring Gear 3 colleagues in every car parts fitting store, alongside our existing Gear 3 colleagues in cycling.

By the end of FY16 72% of our eligible colleagues had qualified for Gear 2 and we had over 600 Gear 3 level colleagues.

Apprenticeships and Traineeships

Helping to get young people onto the career ladder is nothing new for our Halfords Autocentre business, which has now been operating its apprenticeship scheme for over 21 years, comprising of a three-year fully funded technician programme leading to the Institute of Motor Industry NVQ 3 and Diploma. There are currently 208 apprentices in the business with a further 187 planned for the year ahead.

Building on Autocentres' success, in FY16 Halfords Retail placed 1152 apprenticeships in its first 12 months, going over and above the standard model by offering a pre-apprenticeship traineeship programme. Open to people who are unemployed, long-term unemployed and NEETS (not in education, employment or training), 600 traineeships have been placed, with 178 candidates going on to full apprenticeships.

Diversity

We recognise the value that diversity brings, but also that we're on a journey to redress the balance in some inherently male dominated areas and that this will take time.

	2016	2014
Total Women	22%	24%
Women in Stores	26%	28%
Women in Senior Management Team	31%	22%
Women in Distribution Centre	20%	19%
Women on the Board	50%	25%
Women in Autocentres	5%	3%

Getting a foot on the ladder

"At a time when we have record employment in the UK, traineeships not only provide life changing opportunities for young people, but they also deliver brilliant results for business.

"This is why it is great to see a major retailer like Halfords make a real commitment to traineeships by not only running the programme, but increasing the number of places it has offered year on year. Initiatives like this will play a significant role in helping to reach the Government's target to create three million apprenticeships by 2020."

Employment Minister, Priti Patel

Corporate Social Responsibility Committee Report continued

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

There's no doubt that the digital age has huge advantages, providing an opportunity to stay in touch with friends and family around the world, at the touch of a button. However statistics from UK Active, Cycling England, provide a shocking knock-on effect:

- Kids today are the least active in history
- Children in the UK spend an average of 6 hours per day in front of screens
- In England 71% of 12-year old boys and 81% of 12-year old girls do not meet minimum physical activity guidelines of 60 minutes per day
- Physical inactivity costs the UK £20bn per year *

* Statistics drawn from - https://parliamentarycommissiononphysicalactivity.files.wordpress.com/2014/04/move1_ig_long1.pdf

Just one hour of activity every day could make the difference of a lifetime. Getting out and about on a bike is a perfect opportunity to do just that, giving families the opportunity share valuable time together. From speaking with our customers, a major concern is safety and the confidence to fix things, as and when problems occur.

Against that background, Halfords decided to share colleagues' knowledge and expertise, giving customers the confidence to get out on their bikes more. The is done through workshops the majority of which focus on primary school children, an age when they are often starting to cycle without adults and are also doing Bikeability. Last year the workshops were extended to women, in association with British Cycling's Breeze network; the company also trialled motor workshops, sharing basic car maintenance skills.

Last year 39,000 people benefited from our free maintenance workshops which helped them to cycle and drive more safely. Since their launch, these workshops have so far benefitted 104,000 people.

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

In 2013 Halfords established a long-term partnership with Re~Cycle, a UK based charity that transforms lives through bicycle re-use. Providing a sustainable end-of-life solution, Re~Cycle diverts unwanted bikes from landfill/disuse and transforms the lives of people and communities both here in the UK and in Africa.

The partnership provides opportunities for customers to donate unwanted bikes via national trade-in events and also at over 75 stores on an on-going basis. Over 20,000 bikes have been donated so far, resulting in 300 tonnes of bikes being diverted from landfill / disuse and benefitting an estimated 120,000 beneficiaries in Africa (household research in Ghana shows that each bike is used by an average of six people). Enthused Halfords' colleagues have also raised over £295,000 to help support the charity's costs.

Some of the children's bikes go to a cycle workshop we have set up at Onley prison (further details are found on page 12). Those bikes are re-conditioned and, along with new helmets, are donated to primary schools in disadvantaged areas, with over 330 donated so far.

Halfords' team takes part in the British Cycling challenge

Energy Usage

During the year, we also complied with our obligations under the new Energy Savings Opportunity Scheme ("ESOS"). The energy audits required by large enterprises under this EU legislation, were completed in both the UK and the Republic of Ireland.

Sustainability

Set out below are the metrics that we have reported in previous years. With the formation of the new CSR Committee these metrics will be reviewed and improvement targets will be established for each one.

Distribution Centre Transport	2015	2016
Kilometres Driven Total[1]	9.5m	**10.5m**
Litres Fuel	2.6m	**3.1m**
Number of Retail Deliveries	90.5k	**89.6k**
Volume Delivered	830.8k BFE[2]	**755 BFE[2]**
Efficiency: BFE[2] per Load	46.5 BFE[2]	**42.2 BFE[2]**
Distribution Centre Operations	**2015**	**2016**
Units Despatched	71.0m	**74.0m**
Units Received	69.0m	**76.9m**
Bikes Despatched	1.3m	**1.3m**
Bikes Received	1.3m	**1.38m**
E-Fulfilment Orders	724k	**750k**
E-Fulfilment Units Despatched	884k	**756k**
Warehouse Pallet Moves	336.7k	**596.8k**
Distance Travelled Internal MHE[3] to Distribution Centres	600k miles	**Not available**
Recycling	**2015**	**2016**
Distribution Centre Driven Recycling Revenues (cardboard, plastic)	c £300k	**£282k**
Tonnes of Car Batteries Recycled by Retail	2,825 (equivalent to 183,000 batteries)	**200,000 units**
Car Batteries Recycled by Autocentres	9,306	**10,041**
Tyres Recycled by Autocentres	450,413	**473,435**
Oil Recycled by Autocentres	1,066,600 litres	**1,163,449 litres**
% of Autocentres Waste Recycled	87	**90**
Water Consumption	**2015**	**2016**
Retail Water Consumption	70,414m^3	**52,742 m^3**
Autocentres Water Consumption	46,795 m^3	**44,782 m^3**
Global Greenhouse Gas Emissions[4]	**2015 tCO_2E**	**2016 tCO_2E**
Retail Combustion of Gas	6,636.51	**6,488.28**
Autocentres Combustion of Gas	2,219.90	**3,329.25**
Cars on Company Business[5]	871.78	**889.22**
Retail Directly Purchased Electricity	28,630.46	**28,507.45**
Autocentres Directly Purchased Electricity	4,197.51	**4,648.26**
TOTAL	42,556.16	**43,862.46**
Company's Chosen Intensity Measurement: tCO_2 E per £1m Group Revenue	41.50[6]	**42.90**

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 Equivalent
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 a 53 week period

Maintaining the highest standards amongst our suppliers

We are strongly opposed to the exploitation of workers and we will not tolerate forced labour, or labour which involves physical, verbal or psychological harassment, or intimidation of any kind. We will not accept human trafficking or the exploitation of children and young people in our business and undertake all possible steps to ensure that these high standards are maintained. In compliance with the Modern Slavery Act 2015, which came into force in October 2015 we have published an anti-slavery and human trafficking statement and will continue to monitor our obligations in this regard.

Read more online at **www.halfordscompany.com/investors/governance/the-halfords-anti-slavery-and-human-trafficking-statement**

We have a Code of Conduct on Ethical Trading which is also published on our website. We are committed to reviewing our policies each year to ensure they remain up to date and fit for purpose. In order to manage effectively the risks across our supply chain we have created a tiered system of adherence which recognises that products sourced from different locations carry different risks and therefore need managing in different ways.

Audit Committee Report

I am ***pleased*** to present the report of the Audit Committee for the financial year ended 1 April 2016.

Chairman's Introduction

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

The Committee's oversight of risk and internal control has been further strengthened this year through two significant ongoing initiatives. Firstly, recognising the usefulness of an earlier presentation on cybersecurity risk from KPMG, we have initiated a series of management briefings to the Committee. The briefings explain in detail how selected key areas of business risk are managed. The Committee has already received presentations on retail product quality and safety assurance processes, and on retail erosion management. Secondly, in response to the requirements of the 2014 UK Corporate Governance Code, the Committee receives a specific update from Internal Audit at each meeting to allow it to monitor the Company's risk management and internal control systems. These updates were provided throughout the year.
This report explains in detail how the Committee undertook its duties.

David Adams
Chairman of the Audit Committee
1 June 2016

*Fast Fact**

8 Bikes in Sir Bradley Wiggins range for kids - launching in July 2016

*Fast Fact**

Women's bikes accounted for 25% of all bike sales at Halfords

*Fast Fact figures relate to 4th April 2015 - 1st April 2016

Membership and Remit of the Audit Committee

a. Membership

All 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, and currently chairing two other listed companies' Audit Committees, 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 of the Company's Board, Executive Directors, senior managers and key advisors are invited to attend meetings as appropriate in order to ensure that the Committee maintains a current and well-informed view of events within the business, and to reinforce a strong risk management culture. The Audit Committee meets according to the requirements of the Company's financial calendar. The meetings of the Audit Committee also provide the opportunity for the independent Non-Executive Directors to meet without the Executive Directors present and to raise any issues of concern with the Auditor. There have been three such meetings in the period ended 1 April 2016 and nothing of note was reported.

b. Remit

The Audit Committee's responsibilities include:

- making recommendations to the Board on the appointment of the external Auditor, including on effectiveness, independence, non-audit work undertaken (against a formal policy) and remuneration;
- reviewing the accounting principles, policies and practices adopted throughout the period;
- reviewing and approving external financial reporting for adoption by the Board;
- assisting the Board in achieving its obligations under the UK Corporate Governance Code in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the Listing Rules;
- ensuring that an effective system of internal financial and non-financial controls is maintained;
- 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;
- approving the Company's systems and controls for the prevention of bribery and corruption, including the receipt of any reports on non-compliance; and
- approving the Group's Treasury Policy, including foreign currency and interest rate exposure.

The Audit Committee has reviewed its Terms of Reference and its composition during the year and believes that both are appropriate. Copies of full Terms of Reference are available on the Company's website or on request from the Company Secretary.

Principal Activities during the Year

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

June 2015

- 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, including update on the company's risk management and internal control systems
- Approval of Internal Audit Charter

November 2015

- 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 including update on the company's risk management and internal control systems
- Approval of External Auditor Non-Audit Fee Policy
- Review of anti-bribery and corruption risk assessment and approval of Anti-bribery and Corruption Policy
- Approval of Group Treasury Policy
- Management presentation on retail product quality and safety assurance processes
- Review of Committee Terms of Reference

March 2016

- Review of External Auditors Annual Strategy and Fees
- Review of Internal Audit Progress Report and Annual Strategy including update on the Company's internal control systems
- Review of Group Register of Risks and Controls
- Review of Group Whistleblowing Policy
- Management presentation on retail erosion management

Audit Committee Report continued

The Committee also met on 26 May 2016. Amongst other pieces of business, the Committee reviewed the year-end Chief Financial Officer's and external Auditor's reports, and recommended the Preliminary Statement and Annual Report to the Board for approval. The Committee received a presentation from management addressing the commercial aspects and financial reporting issues associated with supplier rebates.

Significant Issues in Relation to the Financial Statements

In order to discharge its responsibility to consider accounting integrity, the Committee carefully considers key judgements applied in the preparation of the consolidated financial statements which are set out on pages 78 to 119. The Committee's review included consideration of the following key accounting judgements:

- Impairment of Goodwill associated with Autocentres
  - Following the acquisition of Nationwide in 2010, the Group holds significant goodwill in the Halfords Autocentre 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 11 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 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

a. Effectiveness of external audit

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

In addition at its meeting in March 2016, 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.

b Approach to appointment or reappointment

KPMG LLP (formerly KPMG Audit plc) was appointed as external Auditor to the Group in 2009 following a formal tender process. Since that time, KPMG LLP has complied with the partner rotation requirement set out in Ethical Standards for Auditors, with the most recent rotation taking place in 2014.

The Audit Committee considers that the relationship with the Auditor is working well and is satisfied with its independence, objectivity and effectiveness and has not considered it necessary to require KPMG LLP to re-tender for external audit work this year. The Audit Committee has recommended to the Board, for approval by shareholders at the AGM on 26 July 2016, the reappointment of KPMG LLP as external Auditor.

c 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 being 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 auditors in order to support the Company's own internal audit function in determining and executing the Company's annual Internal Audit plan.*

Other than for the above, for each separate service proposed to be provided by the Auditor, the Group Chief Financial Officer will prepare a note either to be tabled and minuted at an Audit Committee meeting or to be circulated via email to the Audit Committee members and the 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 Chair 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 is audit team to ensure that its independence is not compromised.

An analysis of the fees earned by the external Auditor is disclosed in note 3 to the Financial Statements.

Fast Fact*

Halfords helped

185k

kids onto ***their first bike***, a 5% increase year-on-year

*Fast Fact figures relate to 4th April 2015 - 1st April 2016

Role and Effectiveness of Internal Audit

The Company has a dedicated in-house Internal Audit team, which is able to obtain advice from 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 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 the Group's 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 the Support Centre.

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 47.

Remuneration Committee Report

"Our approach to remuneration ***supports*** a ***strong*** focus on performance and reflects our key strategic objectives."

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 1 April 2016.

The Report consists of three sections:

- this **Annual Statement**;
- our **Policy Report**, which sets out a summary of 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 FY16 and how our Policy will be implemented in FY17. The Annual Report on Remuneration is subject to an advisory shareholder vote at the 2016 AGM.

Remuneration Policy

The Committee was pleased that shareholders approved our Remuneration Policy at the AGM that took place on 30 July 2014. There are no proposals to amend the Policy at this time and it is intended that it continues to apply until 2017.

Read more about the Remuneration Policy in the corporate governance section, the full policy is online at **www.halfordscompany.com/investors/governance/remuneration-policy**

See more on our **Remuneration Policy** on pages 60 to 62.

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 our key strategic objectives. Our remuneration philosophy aims to provide 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 FY16 PSP would be based on 75% Group EBITDA growth and 25% Group Revenue growth.

The rules for the current PSP, which were approved by shareholders at the 2015 AGM, now contain clawback provisions in addition to the existing malus provisions.

Annual Bonus

PBT was £81.5m in 2015/16 and therefore 15% of this element of the bonus was achieved (80% of the total bonus being based on PBT). There has been strong progress against strategic objectives during the year particularly in relation to 50:39 store delivery, value added sales growth and retention of store colleagues. The Committee judged that 11.5% of this element should be paid. This resulted in an overall bonus of 23.5% of maximum.

*Fast Fact**

60 miles

The distance you can travel ***on one charge*** of Halford's Carrera Crossfire-E bike

*Fast Fact figures relate to 4th April 2015 - 1st April 2016

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 Company took advantage of the change in HMRC rules and doubled the monthly sum that colleagues are permitted to save. Share ownership is another factor that makes Halfords a great place to work, as it drives colleague motivation and commitment. At the AGM in 2014, shareholders approved the renewal of a UK SAYE Scheme, which led to the adoption of new rules for the UK SAYE. Shareholders also approved measures to allow overseas colleagues to participate in similar SAYE schemes.

Following the announcement of our new Moving Up A Gear strategy in November 2015, the Committee approved a new SAYE opportunity for colleagues to encourage further share ownership in alignment with the launch of the strategy.

Incentive/Remuneration Review

Jill McDonald was appointed as the Group CEO in place of Matt Davies on 11 May 2015. In order to ensure her appointment, the Board agreed it was necessary to award her 114,702 ordinary shares in the Company to compensate for awards made by her previous employer that lapsed on resignation. The value of these shares was £529,819. These share awards were announced on 23 March 2015 when her appointment was made public. The first tranche of 38,973 shares was awarded in February 2016, and it is expected that future tranches will be delivered in a similar way until the full commitment is satisfied.

The Committee approved a 2% salary increase for Jill McDonald, mirroring that awarded to colleagues throughout the Support Centre in October 2015.

Following the departure of Andrew Findlay, the Chief Financial Officer in October, the Committee recommended to the Board the approval of an appropriate CFO remuneration package to achieve the appointment of his successor. The Board was delighted to secure Jonny Mason as the Group CFO and agreed that, as part of his package, it was necessary to compensate him for an accrued but as yet unpaid bonus due from his previous employer as announced on 2 July 2015, details of this appear on page 64. Jonny Mason was not eligible for the pay review as he was appointed after the review on 12 October 2015.

During the period the Committee set the performance targets for the 2016 PSP and these were set to be consistent with, and supportive of, the Moving Up A Gear strategy communicated in November 2015.

Our Remuneration Policy (approved in 2014) allowed the Committee to award a bonus of up to 150% for the CFO and we have taken the opportunity to increase his total potential award to this level.

The Executive Directors reviewed the Non-Executive Directors' fees as detailed on page 62.

The Committee has previously approved the addition of malus and clawback provisions within the FY16 Executive Bonus and Deferred Bonus schemes and, as mentioned above, the introduction of clawback provisions into the new PSP rules, alongside existing malus provisions was approved at the FY15 AGM. 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

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
1 June 2016

Remuneration Policy Summary

Remuneration policy summary

This section of the report sets out Halfords' Remuneration Policy for all of the Executive Directors and Non-Executive Directors. It explains 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 on 29 July 2014, 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 the Report and Accounts for 2014 and it can also be found on our website.

Read more online at
www.halfordscompany.com/investors/governance/remuneration-policy

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 2015, the salary of the CEO was increased by 2%, mirroring the increase generally awarded to colleagues in the Support Centre. Salaries will next be reviewed from 1 October 2016. **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 paid, such as relocation expenses, a housing allowance and school fees.	Executive Directors continued to enjoy the same benefits package as their predecessors 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 and CFO will receive 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, 1/3 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** The FY16 Executive Bonus and Deferred Bonus Plan reinforced existing malus provisions in relation to any deferred element and introduced 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. The principles set out in the FY16 Executive Bonus and the Deferred Bonus Plan are continued in FY17. The CFO's bonus opportunity will increase to 150% of salary for FY17 with one third paid in shares and deferred.

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. Any award paid over the core award is subject to a two-year retention period.	Awards granted in 2016 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 new PSP rules approved at the AGM in FY15 restated existing malus provisions and introduced 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. During the period, the Committee set the performance targets for the 2016 PSP to be consistent with, and supportive of, the Moving Up A Gear strategy communicated in November 2015.

Remuneration Policy Summary continued

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 unchanged in the period. **Changes made** Given that fees for Non-Executive Directors have not been increased since 2008, it was felt appropriate for them to be reviewed at this time. For FY17, appropriate benchmarking data for the FTSE 250 was analysed and the following recommendations, which are consistent with market practice elsewhere, are proposed: • for Non-Executive Directors basic fees, a 4% increase will be applied giving an increase in basic fee to £50,000; • the fee for Chairing the Audit and Remuneration Committees will increase to £10,000 each; • a fee for Chairing the new CSR Committee will be introduced and will commence at £5,000 as this is a new role; • the fee for the Senior Independent Director to be reduced by £5,000 to £10,000. This is still ahead of the median and, when combined with the proposed increased fee for Chairing the Audit Committee, will mean that in practice, the recipient's overall fee received is not reduced; and, • the same principle as is used for basic Non-Executive Director fees (set out above) is also applied to the Chairman of the Board. This would give a 4% rise, which is fractionally less than the median.

Annual Remuneration Report

Annual Remuneration Report

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

The Committee

During the period, the Remuneration Committee (the "Committee") consisted of Claudia Arney (Chair), Dennis Millard, David Adams and Helen Jones.

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 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.

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

Read more online at www.halfordscompany.com/investors/governance/our-committees/remuneration-committee

The Committee met on eight occasions during the period; attendance details are shown in the table on page 43. Details of advisors to the Committee can be found on page 64.

Summary of Committee Activity during FY16

In this period, the Committee has:

- discussed and approved both financial and strategic annual bonus metrics and targets;
- discussed and reviewed Directors' salaries;
- set parameters for the potential package available for the new CFO;
- 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;
- reviewed and approved the termination arrangements in relation to the outgoing CFO and Company Secretary;
- considered and approved the Service Agreements and letters of appointment for the new CFO;
- reviewed its choice of appointed remuneration advisors; and
- reviewed the Terms of Reference of the Committee.

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 Auditor's Report on pages 76 and 77, as specified by the UK Listing Authority and the Regulations.

Annual Remuneration Report continued

Advisors

During the year, the Committee has been supported by Jonathan Crookall, People Director and Justin Richards, Company Secretary until his departure in December 2015, and by his replacement Tim O'Gorman from January 2016. 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 £6,250, their fees are charged on a time and materials basis. 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.

Willis Towers Watson also provided the Committee with executive salary benchmark data. Willis Towers Watson is also a signatory of the Remuneration Consultants Code of Conduct. Fees paid to Willis Towers Watson for this advice were £3,500. Willis Towers Watson also provides insurance broking services to the Group.

Shareholder Dialogue

The voting outcome from the 2015 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.

The following table sets out the votes cast at the 2015 AGM in respect of the previous Remuneration Report.

Votes in relation to the Annual Report on Remuneration

	% of votes For	% of votes Against
FY15 Directors' Remuneration Report (2015 AGM)*	99.02%	0.87%

* 0.11% votes were withheld in relation to this resolution.

How was the Remuneration Policy Implemented in 2015/16 – Executive Directors

Single remuneration figure (audited)

	Base Salary	Bonus	Benefits	Pension	PSP	Other	Total 'Single Figure'
2015/2016							
Jill McDonald[1]	**450,513**	**159,390**	**24,779**	**69,500**	**—**	**147,279** [2]	**851,461**
Jonny Mason[3]	**166,026**	**38,690**	**8,372**	**22,278**	**—**	**71,777** [4]	**307,143**
Matt Davies[5]	**43,138**	**n/a**	**2,736**	**8,458**	**n/a**	**n/a**	**54,332**
Andrew Findlay[6]	**167,025**	**n/a**	**8,410**	**24,900**	**n/a**	**n/a**	**200,335**
Totals	**826,702**	**198,080**	**44,297**	**125,136**	**—**	**219,056**	**1,413,271**
2014/15							
Jill McDonald	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jonny Mason	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Matt Davies	512,575	—[7]	31,102	101,500	n/a[8]	n/a	645,177
Andrew Findlay	328,250	—[7]	15,609	49,230	143,438[8]	n/a	536,527
Totals	840,825	—	46,711	150,730	143,438[8]	—	1,181,704

1 Jill was appointed on 11 May 2015
2 On 13 February 2016 Jill McDonald received a gift of 38,973 ordinary shares as announced on 15 February 2016, made as compensation for Jill's forfeited entitlement to long term incentives and share options with her previous employer. Further tranches will be delivered annually until 2019.
3 Jonny Mason was appointed on 12 October 2015
4 In accordance with the announcement on 2 July 2015 Jonny Mason received a payment in March 2016 to replace his pro-rated bonus from his previous employer equivalent to the amount he would have received based on performance
5 Matt Davies resigned on 30 April 2015
6 Andrew Findlay resigned on 1 October 2015
7 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
8 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 15% of awards would vest. Matt Davies did not receive a PSP award in 2012 as this was prior to his joining the Company.

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 Willis Towers Watson and accordingly decided to increase the CEO salary by 2%, mirroring the increase generally awarded to colleagues in the Support Centre. The CFO did not join until 12 October 2015 and therefore his salary was not eligible for review. Salaries will next be reviewed from 1 October 2016.

2015/16 Annual Bonus

Annual bonuses for FY16 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 64 and payable in June 2016 for the FY16 financial period were calculated as follows:

Measure	Bonus Opportunity (% of total award)	Performance Threshold	Performance Target	Performance Stretch	Performance delivered	Bonus awarded (% of total award)
PBT	80%	94% of budget	100% of budget	106% of budget	PBT for the year was in excess of 94% of budget and therefore 15% of the annual bonus is payable	12%
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	3.3%
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	1.9%
Store colleague turnover	The average total number of leavers (retail colleagues)				Partially achieved	2.9%
50:39 store delivery	Successful roll out of programme to defined standard				Achieved	3.3%
Cycle Republic roll out	Performance of new stores				Not achieved	0%
Total Bonus						23.5%

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.

Bonus payments for Jill McDonald and Jonny Mason were pro-rated based on their respective start dates.

	PBT	Strategic Measures	Total
Jill McDonald	£81,535	£77,855	£159,390
Jonny Mason	£19,792	£18,898	£38,690

Jill's bonus was paid two-thirds in cash with one-third being deferred into shares for a period of three years. Jonny's bonus was paid in cash.

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 FY16 metrics against which bonus outturn has been assessed, we are able to disclose the following:

Measure	Threshold	Maximum	FY16 performance
Engagement index	80%	82%	78%
Store colleagues turnover	44%	40%	41%

Measure	FY16 performance against FY15 outturn
Net promoter score	+6%pts
Value added sales	+9.4%

Annual Remuneration Report continued

2013 Performance Share Plan Award

Awards granted in 2013 under the PSP were 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× initial award) i.e. 225% of salary.	1.5× initial award vesting	8% or more	6.5% or more
	Straight-line vesting	Between 4.75% and 8%	Between 3.25% and 6.5%
Core Award (150% of salary)	100% vesting	4.75%	3.25%
	Straight-line vesting	Between 4.0% and 4.75%	Between 2.5% and 3.25%
	30% vesting	4.0%	2.5%
	0% vesting	Below 4.0%	Below 2.5%

The performance conditions for 2013 awards are based on Group revenue performance and Group EBITDA growth. The CAGR and EBITDA performance are assessed on an independent basis. However, to ensure that the PSP continues to support sustainable performance, the performance levels are set on a stepped basis, where vesting on the revenue measure can only be one step above the EBITDA measure.

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

	FY12	FY13	FY14	FY15	**FY16**
PSP vestings (% of maximum)	0%	0%	0%	15%	**102.5%**

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 and CFO both 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
Jill McDonald	14 August 2015	Nil cost option (0p exercise price)	140,800	£1,126,752	30%	4 April 2015 to 30 March 2018
Jonny Mason	12 November 2015		122,130	£723,620		

* These awards were based on 150% of salary
** Based on the mid-market price on the date of the awards of £5.335 on 14 August 2015 and £3.95 on 12 November 2015

CEO Share Award

The Board agreed that upon joining the Company, Jill McDonald would be given an award of shares to compensate her for award made by her previous employer that lapsed on resignation. The value of these shares was £529,819. These would be delivered in tranches in each of the next four years.

Performance Conditions

Awards granted in 2015 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× initial award) i.e. 225% of salary.	1.5× initial award vesting	6.5% or more	9.0% or more
	Straight-line vesting	Between 52.% and 6.5%	Between 7.1% and 9.0%
Core Award (150% of salary)	100% vesting	5.2%	7.1%
	Straight-line vesting	Between 4.0% and 5.2%	Between 4.5% and 7.1%
	30% vesting	4.0%	4.5%
	0% vesting	Below 4.0%	Below 4.5%

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 2018. To the extent that awards vest in line with the performance multiplier outlined above, these shares will only become exercisable in August 2020, following a retention period of two years. Please note, the 2015 Annual Report and Accounts had a typographical error, the correct figures as agreed by the Remuneration Committee on 3 June 2015 are shown in the table above.

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 3 April 2015	Awarded during the period	Dividend Reinvestment[1]	Forfeited during the period	Lapsed during the period	Exercised during the year	Awards held 1 April 2016	Performance period 3 years to
Jill McDonald[2]	14 August 2015	5.34	—	140,800	2,116	—	—	—	**142,916**	30 March 2018
Jonny Mason[3]	12 November 2015	3.95	—	122,130	1,836	—	—	—	**123,966**	30 March 2018
Matt Davies[4]	7 August 2013	3.74	209,116	—	—	209,116	—	—	**—**	n/a
	11 August 2014	4.79	163,596	—	—	163,596	—	—	**—**	n/a
Andrew Findlay[5]	7 August 2013	3.74	117,314	—	2,489	119,803	—	—	**—**	n/a
	11 August 2014	4.79	104,766	—	2,223	106,989	—	—	**—**	n/a

1 Interim and final dividends have been reinvested in shares at prices between £3.77 and £5.19
2 Jill McDonald was appointed on 11 May 2015
3 Jonny Mason was appointed on 12 October 2015
4 Matt Davies resigned on 30 April 2015 and his outstanding PSP awards lapsed at this date in accordance with the scheme rules
5 Andrew Findlay resigned on 1 October 2015 and his outstanding PSP awards lapsed at this date in accordance with the scheme rules

The performance conditions for 2013 awards onwards have performance conditions based on Group revenue performance and Group EBITDA growth.

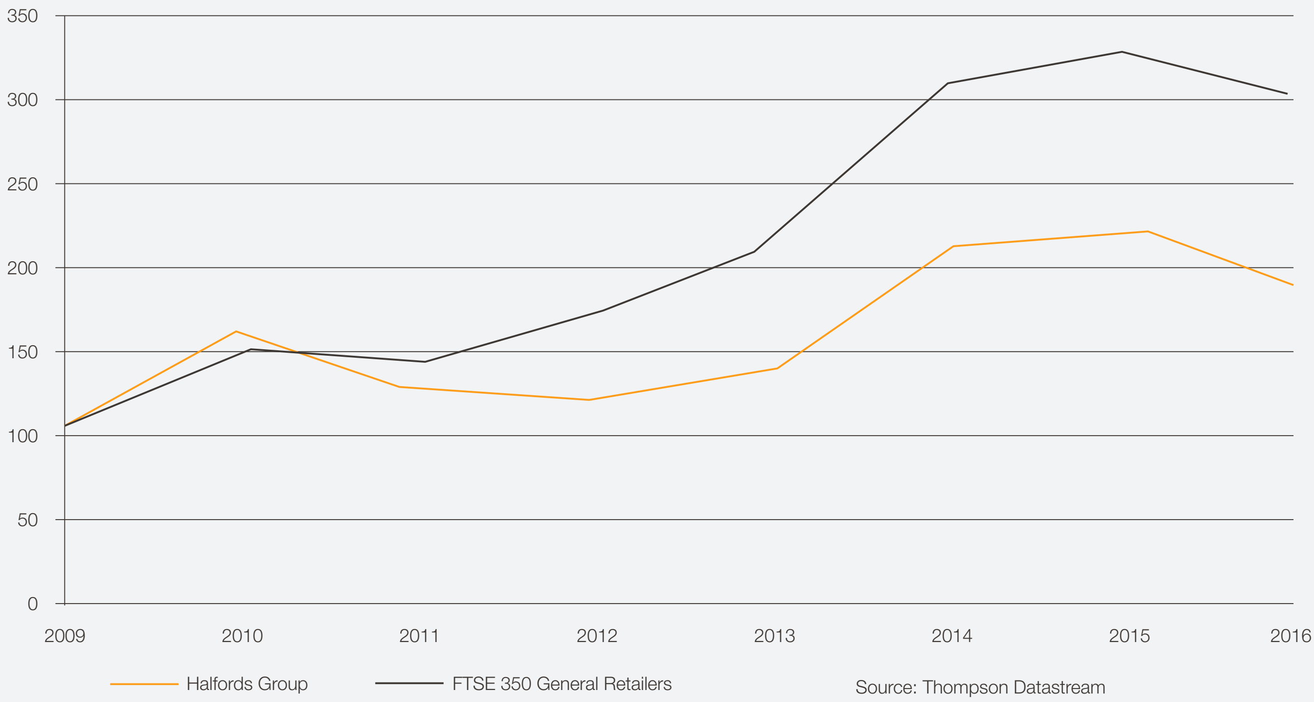
Annual Remuneration Report continued

Deferred Bonus Plan

Jill McDonald will be eligible for the Deferred Bonus Plan.

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).



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.

		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
CEO single figure (£000)	Jill McDonald[1]	—	—	—	—	—	—	851
	Matt Davies[2]	—	—	—	499	1,372	645	54
	David Wild[3]	1,134	531	617	198	—	—	—
Annual bonus (% of maximum)	Jill McDonald	—	—	—	—	—	—	23.5%
	Matt Davies	—	—	—	50%	97.5%	—[4]	—[4]
	David Wild	80%	—	0%	—	—	—	—
PSP vesting (% of maximum)	Jill McDonald	—	—	—	—	—	—	—[1]
	Matt Davies	—	—	—	—	—	—	—
	David Wild	—	—	99%	—	—	—	—

1. Jill McDonald was appointed on 11 May 2015
2. Matt Davies was appointed on 4 October 2012 and resigned as CEO on 30 April 2015. Matt did not receive PSP awards in 2012, as these were before he was appointed
3. David Wild resigned as CEO on 19 July 2012
4. 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.

	Jill McDonald	Jonny Mason
Shareholding requirement	100%	100%
Current shareholding	20,618	75,000
Current value (based on share price on 1 April 2016)	£80,740	£293,700
Current % of salary	16%	84%
Date by which guideline should be met	11 May 2020	12 October 2020

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 1 April 2016 and 1 June 2016.

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. Jill McDonald received fees of £72,600 as a non-executive director of Inter Continental Hotels Group plc in the period.

Leaving Arrangements

Matt Davies left on 30 April 2015, Andrew Findlay left on 1 October 2015. Neither received a termination payment and any outstanding incentives were forfeited.

Loss of Office Payments (Audited)

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

Payments to Former Directors (Audited)

Matt Davies resigned on 30 April 2015 and in accordance with the Deferred Bonus Plan rules exercised his awards of 72,332 shares on 15 June 2015.

How was the Remuneration Policy Implemented in 2015/2016 – Non-Executive Directors

Non-Executive Director single figure comparison (audited)

Director	Role	Board Fees	Senior Independent Director	Committee Chairman Fees	Total 'Single Figure' 2016	Total 'Single Figure' 2015
Dennis Millard	Chairman	176,000			**176,000**	174,000
David Adams	Senior Independent Director & Audit Committee Chairman	48,000	15,000	5,000	**68,000**	68,000
Claudia Arney	Remuneration Committee Chairman	48,000		5,000	**53,000**	53,000
Helen Jones	CSR Committee Chairman	48,000			**48,000**	48,000
Totals		320,000	15,000	10,000	**345,000**	343,000

Non-Executive Director Shareholding

Director	2016	2015
Dennis Millard	**60,000**	50,000
David Adams	**6,780**	6,544
Claudia Arney	**21,052**	21,052
Helen Jones	**3,000**	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 1 April 2016 and 6 June 2016.

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

Annual Remuneration Report continued

How Remuneration Policy will be Implemented for 2016/17 — Executive Directors

Salary

Base salaries were reviewed with effect from 1 October 2015 and increases were made as per the details on page 60. Current salaries for the Executive Directors are as follows:

CEO	£510,000
CFO	£350,000

Salaries will next be reviewed with effect from 1 October 2016.

Annual Bonus

The annual bonus opportunity for 2016/17 will be as follows:

CEO	• Maximum opportunity of 150% of base salary • ⅔ paid in cash • ⅓ paid in Halfords shares deferred for three years
CFO	• Maximum opportunity of 150% of base salary • ⅔ paid in cash • ⅓ paid in Halfords shares deferred for three years

The annual bonus will continue to be based 80% on Profit Before Tax ('PBT') performance and 20% based on performance against strategic objectives. PBT targets range from 90% of budget, where payment is 15% to 110% 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. These objectives include metrics in relation to customer service and colleague engagement.

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.

Performance Share 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× initial award) i.e. 225% of salary	1.5× initial award vesting	6.7% or more	7.5% or more
	Straight-line vesting	Between 5.5% and 6.7%	Between 6.0% and 7.5%
Core Award (150% of salary)	100% vesting	5.5%	6.0%
	Straight-line vesting	Between 4.0% and 5.5%	Between 4.0% and 6.0%
	30% vesting	4.0%	4.0%
	0% vesting	Below 4.0%	Below 4.0%

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 1.5× throughout the three-year performance period. This will ensure that net debt remains at appropriate levels and management is not incentivised to increase net debt levels to meet targets; the focus is to maximise the return on cash investments. The Core Award shares that vest will become exercisable in May 2019. To the extent that awards vest in line with the performance multiplier outlined above, these shares will only become exercisable in May 2021, following a retention period of two years.

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.

How Remuneration Policy will be Implemented for 2016/17 — Non-Executive Directors

Fees

The fees of Non-Executive Directors are normally reviewed every two years to ensure that they are in line with market benchmarks. 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 4% as from 1 April 2016, this was the first increase in these fees since April 2013. Current fees for Non-Executive Directors are as follows:

	2017	2016
Chairman	**£185,000**	£176,000
Base fee	**£50,000**	£48,000
Additional fees		
Senior Independent Director	**£10,000**	£15,000
Committee Chairman (Audit and Remuneration)	**£10,000**	£5,000
Committee Chairman (CSR)	**£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 FY15 to FY16	**% change in bonus earned FY15 to FY16**	**% change in benefits FY15 to FY16**
Chief Executive	—1[1]	—[2]	No change
All colleagues	2.57	-52	No change

The increase generally awarded to all colleagues was 2% with an additional 1% merit pot

1 Jill McDonald was recruited on a salary of £500,000 which was 3% lower than the previous CEO's salary of £517,650. On 1 October 2015 Jill received a 2% salary increase taking her salary to £510,000 resulting in her salary being 1% lower than the CEO's salary for the previous period

2 Jill McDonald will receive a pro rata bonus for FY16 as she joined during the period on 11 May 2015. No bonus was payable to Matt Davies, previous CEO for FY15 as he left the business on 30 April 2015

Annual Remuneration Report continued

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.

	2016	2015
EBITDA	**£114.6m**	£109.9m [1]
PBT (underlying)[1]	**£81.5m**	£81.1m [1]
Returned to shareholders:		
Dividend	**£32.4m**	£28.4m
Payments to employees:		
Wages and salaries	**£183.3m**	£183.7m
Including directors[2]	**£1.4m**	£1.2m

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
1 June 2016

Financial Statements

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 52 week period ended 1 April 2016 set out on pages 79 to 118. 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 1 April 2016 and of the Group's profit for the 52 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, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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, in decreasing order of audit significance, were as follows (unchanged from FY15):

Valuation of Inventory within the Retail division: £156.5million (FY 2015: £147.8 million)

Refer to pages 54 to 57 (Audit Committee Report), page 88 (accounting policy) and page 101 (financial disclosures).

- **The risk** – Inventories are carried at the lower of cost and net realisable value with the result that the directors apply judgement in determining the appropriate provisions for obsolete stock based upon a detailed analysis of stock levels and discontinued inventory, the future usage of stock, net realisable value below cost based upon product strategy and stock loss at stores. There is a risk that the Group's assessment of the level of these provisions is insufficient or inaccurate.
- **Our response** – Our procedures in this area included testing the design and effectiveness of controls across the division, including those identifying slow moving or discontinued products. We also considered sales subsequent to year-end to see whether the sale proceeds were sufficient to cover the net realisable value of inventories at year-end. In particular we focus on those inventory lines which are slow moving, have been replaced or are approaching the end of life.

We used our own specialists to critically challenge the arithmetic model that underpins the obsolescent stock provision and compared the assumptions applied to available market data and met with management to understand both the current purchasing strategy and the key drivers for demand such as the sales plans for the coming financial year, new product launches and the level of expected discounting, as well as considering any product ranges that are forecast to be phased out or replaced against the Group's purchasing plans. We also analysed stock holding and movement data to identify product lines with indicators of low stock turn or stock ageing with reference to the above, and assessed the historical accuracy of inventory provisioning, with reference to the level of inventory write-offs during the year.

We also considered the adequacy of the Group's disclosures in respect of inventory.

Carrying amount of Goodwill associated with the Nationwide Autocentres acquisition: £69.7 million (FY 2015: £69.7 million)

Refer to pages 54 to 57 (Audit Committee Report), page 90 (accounting policy) and page 99 (financial disclosures).

- **The risk** – Following the acquisition of Nationwide Autocentres in 2010, the Group holds significant goodwill in this business. The business operates in a competitive market, and commercial factors, 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 cash flows, this is one of the key judgemental areas that our audit is concentrated on.
- **Our response** – We determined the key sensitivities within the impairment and associated budgeting model, which we considered to be the discount rate and the growth rate. Our procedures included challenging certain assumptions used through discussion with the directors and comparison to recently available market data, and also assessing the Group's performance against budget in the current and prior periods to evaluate the historical accuracy of overall forecasts. We have also performed our own sensitivity analysis including, among others, applying the actual last two year average EBITDA growth to the impairment analysis, which still indicates that no impairment is required.

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

Materiality for the Group financial statements as a whole was set at £4.0 million (FY15: £4.0 million), determined with reference to a benchmark of Group profit before tax, of which it represents 5.0% (FY15: 5.0%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2 million (FY15: £0.2 million) in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group 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 on the disclosures of principal risks

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

- the directors' Viability Statement on page 39, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the 3 years to March 2019; or
- the disclosures in the accounting policies of the financial statements concerning the use of the going concern basis of accounting.

6. 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 position and performance, business model and strategy; or
- the Audit Committee report, as set out on pages 54 to 57 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 39 in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on pages 40 to 47 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 73, 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

1 June 2016

halfords

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Consolidated Income Statement

For the period	Notes	52 weeks to 1 April 2016 Before Non-recurring items £m	Non-recurring items (note 5) £m	Total £m	53 weeks to 3 April 2015 Before Non-recurring items £m	Non-recurring items (note 5) £m	Total £m
Revenue		**1,021.5**	**—**	**1,021.5**	1,025.4	—	1,025.4
Cost of sales		**(478.4)**	**—**	**(478.4)**	(479.1)	—	(479.1)
Gross profit		**543.1**	**—**	**543.1**	546.3	—	546.3
Operating expenses	2	**(458.6)**	**(1.7)**	**(460.3)**	(458.7)	(0.3)	(459.0)
Results from operating activities	3	**84.5**	**(1.7)**	**82.8**	87.6	(0.3)	87.3
Finance costs	6	**(3.1)**	**—**	**(3.1)**	(3.6)	—	(3.6)
Finance income	6	**0.1**	**—**	**0.1**	0.1	—	0.1
Net finance expense		**(3.0)**	**—**	**(3.0)**	(3.5)	—	(3.5)
Profit before income tax		**81.5**	**(1.7)**	**79.8**	84.1	(0.3)	83.8
Income tax expense	7	**(16.6)**	**0.3**	**(16.3)**	(17.9)	(0.1)	(18.0)
Profit for the financial period attributable to equity shareholders		**64.9**	**(1.4)**	**63.5**	66.2	(0.4)	65.8
Earnings per share							
Basic	9	**33.2p**		**32.5p**	34.1p		33.8p
Diluted	9	**33.0p**		**32.4p**	33.5p		33.3p

All results relate to continuing operations of the Group.

The notes on pages 92 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Notes	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Profit for the period		**63.5**	65.8
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**4.7**	7.9
Transfers to inventory		**(2.9)**	(1.4)
Transfers to net profit:			
Cost of sales		**(0.6)**	(3.4)
Income tax on other comprehensive income	7	**0.4**	(1.2)
Other comprehensive income for the period, net of income tax		**1.6**	1.9
Total comprehensive income for the period attributable to equity shareholders		**65.1**	67.7

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 92 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	1 April 2016 £m	3 April 2015 £m
Assets			
Non-current assets			
Intangible assets	11	**362.9**	356.8
Property, plant and equipment	12	**107.3**	103.8
Deferred tax asset	19	**—**	4.1
Total non-current assets		**470.2**	464.7
Current assets			
Inventories	13	**157.9**	149.3
Trade and other receivables	14	**60.7**	55.8
Derivative financial instruments	20	**4.2**	3.9
Cash and cash equivalents	15	**11.9**	22.4
Total current assets		**234.7**	231.4
Total assets		**704.9**	696.1
Liabilities			
Current liabilities			
Borrowings	16	**(23.4)**	(22.9)
Derivative financial instruments	20	**—**	(0.1)
Trade and other payables	17	**(182.5)**	(181.4)
Current tax liabilities		**(7.5)**	(12.4)
Provisions	18	**(9.5)**	(10.6)
Total current liabilities		**(222.9)**	(227.4)
Net current assets		**11.8**	4.0
Non-current liabilities			
Borrowings	16	**(36.4)**	(61.3)
Accruals and deferred income – lease incentives	17	**(32.3)**	(31.5)
Provisions	18	**(7.9)**	(8.2)
Total non-current liabilities		**(76.6)**	(101.0)
Total liabilities		**(299.5)**	(328.4)
Net assets		**405.4**	367.7
Shareholders' equity			
Share capital	21	**2.0**	2.0
Share premium	21	**151.0**	151.0
Investment in own shares	21	**(10.9)**	(13.6)
Other reserves	21	**3.2**	1.6
Retained earnings		**260.1**	226.7
Total equity attributable to equity holders of the Company		**405.4**	367.7

The notes on pages 92 to 118 are an integral part of these consolidated financial statements.

The financial statements on pages 79 to 118 were approved by the Board of Directors on 1 June 2016 and were signed on its behalf by:

Jonny Mason
Finance Director

Company Number: 04457314

Consolidated Statement of Changes in Shareholders' Equity

	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
	Attributable to the equity holders of the Company						
			Other reserves				
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**
Total comprehensive income for the period							
Profit for the period	—	—	—	—	—	63.5	**63.5**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	—	—	—	—	4.7	—	**4.7**
Transfers to inventory	—	—	—	—	(2.9)	—	**(2.9)**
Transfers to net profit:							
Cost of sales	—	—	—	—	(0.6)	—	**(0.6)**
Income tax on other comprehensive income	—	—	—	—	0.4	—	**0.4**
Total other comprehensive income for the period net of tax	—	—	—	—	1.6	—	**1.6**
Total comprehensive income for the period	—	—	—	—	1.6	63.5	**65.1**
Transactions with owners							
Share options exercised	—	—	2.7	—	—	—	**2.7**
Share-based payment transactions	—	—	—	—	—	3.0	**3.0**
Income tax on share-based payment transactions	—	—	—	—	—	(0.7)	**(0.7)**
Dividends to equity holders	—	—	—	—	—	(32.4)	**(32.4)**
Total transactions with owners	—	—	2.7	—	—	(30.1)	**(27.4)**
Balance at 1 April 2016	2.0	151.0	(10.9)	0.3	2.9	260.1	**405.4**

The notes on pages 92 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Cash flows from operating activities			
Profit after tax for the period, before non-recurring items		**64.9**	66.2
Non-recurring items		**(1.4)**	(0.4)
Profit after tax for the period		**63.5**	65.8
Depreciation – property, plant and equipment		**23.8**	20.2
Impairment charge		**—**	0.7
Amortisation – intangible assets		**6.3**	5.5
Net finance costs		**3.0**	3.5
Loss on disposal of property, plant and equipment		**0.4**	1.7
Equity-settled share based payment transactions		**3.0**	1.4
Fair value gain on derivative financial instruments		**(0.4)**	(2.0)
Income tax expense		**16.3**	18.0
Decrease/(increase) in inventories		**(8.6)**	0.9
(Increase)/decrease in trade and other receivables		**(4.9)**	(3.0)
Increase in trade and other payables		**2.3**	27.2
(Decrease)/increase in provisions		**(1.4)**	0.5
Finance income received		**0.1**	0.1
Finance costs paid		**(2.3)**	(3.2)
Income tax paid		**(17.2)**	(17.1)
Net cash from operating activities		**83.9**	120.2
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**—**	(14.0)
Purchase of intangible assets		**(12.5)**	(7.5)
Purchase of property, plant and equipment		**(26.0)**	(32.1)
Net cash used in investing activities		**(38.5)**	(53.6)
Cash flows from financing activities			
Net proceeds from exercise of share options		**2.7**	0.7
Proceeds from loans, net of transaction costs		**219.0**	220.2
Repayment of borrowings		**(245.0)**	(254.0)
Payment of finance lease liabilities		**(0.6)**	(0.3)
Dividends paid		**(32.4)**	(28.4)
Net cash used in financing activities		**(56.3)**	(61.8)
Net (decrease)/increase in cash and bank overdrafts	I.	**(10.9)**	4.8
Cash and cash equivalents at the beginning of the period		**0.1**	(4.7)
Cash and cash equivalents at the end of the period	I.	**(10.8)**	0.1

The notes on pages 92 to 118 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 3 April 2015 £m	Cash flow £m	Other non-cash changes £m	**At 1 April 2016 £m**
Cash and cash equivalents at bank and in hand	0.1	(10.9)	—	**(10.8)**
Debt due after one year	(50.7)	26.0	(0.7)	**(25.4)**
Total net debt excluding finance leases	(50.6)	15.1	(0.7)	**(36.2)**
Finance leases due within one year	(0.6)	0.6	(0.7)	**(0.7)**
Finance lease due after one year	(10.6)	—	(0.4)	**(11.0)**
Total finance leases	(11.2)	0.6	(1.1)	**(11.7)**
Total net debt	(61.8)	15.7	(1.8)	**(47.9)**

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £0.7m (2015: £0.6m), new finance leases, and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £11.9m (2015: £22.4m) of liquid assets and £22.7m (2015: £22.3m) 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 1 April 2016 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 39, 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 52 weeks to 1 April 2016, whilst the comparative period covered the 53 weeks to 3 April 2015.

Basis of Consolidation

Subsidiary Undertakings

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

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

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

The subsidiary undertakings of the Company at 1 April 2016 are detailed in note 4 to the Company balance sheet on page 116.

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.

Accounting Policies continued

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.

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.

Accounting Policies continued

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.

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 quantum and/or 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 are 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 are future obligations 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 share 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.

Accounting Policies continued

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 remeasuring 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 remeasurement of the derivative instrument that does not meet the criteria for an effective hedge is recognised immediately in the Group Income Statement within finance income or costs.

When 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 twelve 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 intangible assets relating to customer relationships involves judgement as to customer retention rates applicable.

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 92 to 118.

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 1 April 2016 but either have no material impact on the result or net assets of the Group or are not applicable.

- 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.
- IAS 39 'Financial instruments: Recognition and measurement' — amendments relating to novation of derivatives and continuation of hedge accounting.
- Annual improvements to IFRS 2010-2012 Cycle.
- Annual improvements to IFRS 2011-2013 Cycle.
- IFRIC 21 'Levies'.

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 1 'Presentation of financial statements' — amendments relating to the Disclosure Initiative.
- IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' — amendments relating to clarification of acceptable methods of depreciation and amortisation.
- IAS 27 'Separate financial statements' — amendments relating to Equity method in separate financial statements.
- IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures' — amendments relating to sale or contribution of assets between an investor and its associate or joint venture.
- IFRS 11 'Joint arrangements' — amendments relating to acquisitions of interests in joint operations.
- Annual improvements to IFRS 2012–2014 Cycle.

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

- IAS 7 'Statement of cash flows' — amendment relating to the Disclosure Initiative.
- IAS 12 'Income taxes' — amendment relating to recognition of deferred tax assets for unrealised losses.
- IFRS 9 'Financial instruments' — finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.
- IFRS 14 'Regulatory deferral accounts' — new standard.
- IFRS 15 'Revenue from contracts with customers' — new standard and amendments.

In addition to the above, IFRS 16 'Leases', has been published but not yet endorsed by the EU. The Group is undertaking an impact assessment of the likely effect on the consolidated results and financial position of the Group, given that all operating leases with a contract life over 12 months will be treated in much the same way as a finance lease on balance sheet.

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**	**52 weeks to 1 April 2016 Total £m**
Revenue	**868.5**	**153.0**	**1,021.5**
Segment result before non-recurring items	**81.8**	**3.8**	**85.6**
Non-recurring items	**(1.2)**	**(0.5)**	**(1.7)**
Segment result	**80.6**	**3.3**	**83.9**
Unallocated expenses[1]			**(1.1)**
Operating profit			**82.8**
Net financing expense			**(3.0)**
Profit before tax			**79.8**
Taxation			**(16.3)**
Profit for the year			**63.5**

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 £1.1m in respect of assets acquired through business combinations (2015: £1.9m).

1. Operating Segments continued

Other segment items:	**Retail £m**	**Car Servicing £m**	**52 weeks to 1 April 2016 Total £m**
Capital expenditure	**32.1**	**8.2**	**40.3**
Depreciation expense	**19.1**	**4.7**	**23.8**
Amortisation expense	**5.2**	**—**	**5.2**

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

There have been no significant transactions between segments in the 52 weeks ended 1 April 2016 (2015: £nil).

2. Operating Expenses

For the period	**52 weeks to 1 April 2016 £m**	53 weeks to 3 April 2015 £m
Selling and distribution costs	**385.7**	385.5
	385.7	385.5
Administrative expenses, before non-recurring items	**72.9**	73.2
Non-recurring administrative expenses	**1.7**	0.3
	74.6	73.5
	460.3	459.0

3. Operating Profit

For the period	**52 weeks to 1 April 2016 £m**	53 weeks to 3 April 2015 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
— plant and machinery	**2.8**	2.6
— property rents	**89.6**	91.6
— rentals receivable under operating leases	**(3.5)**	(4.2)
Landlord surrender payments	**(2.7)**	(2.8)
Loss on disposal of property, plant and equipment	**0.4**	1.7
Amortisation of intangible assets	**6.3**	5.5
Depreciation of:		
— owned property, plant and equipment	**23.0**	19.7
— assets held under finance leases	**0.8**	0.5
Impairment of property, plant and equipment	**—**	0.7
Trade receivables impairment	**0.2**	—
Staff costs (see note 4)	**206.4**	203.1
Cost of inventories consumed in cost of sales	**472.8**	470.2

Notes to the Financial Statements continued

3. Operating Profit continued

The total fees payable by the Group to KPMG LLP and their associates during the period was £0.2m (2015: £0.2m), in respect of the services detailed below:

For the period	52 weeks to 1 April 2016 £'000	53 weeks to 3 April 2015 £'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	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
The aggregated remuneration of all employees including Directors comprised:		
Wages and salaries	**183.3**	183.7
Social security costs	**14.4**	12.9
Equity-settled share based payment transactions (note 22)	**3.0**	1.4
Contributions to defined contribution plans (note 24)	**5.7**	5.1
	206.4	203.1

	Number	Number
Average number of persons employed by the Group, including directors, during the period:		
Stores/Autocentres	**9,869**	10,124
Central warehousing	**382**	375
Support Centre	**785**	722
	11,036	11,221

Key management compensation

For the period	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Salaries and short-term benefits	**4.9**	3.0
Compensation for loss of office	**0.1**	0.1
Social security costs	**0.8**	0.8
Pensions	**0.4**	0.3
Share based payment charge	**1.5**	0.5
	7.7	4.7

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

Directors' remuneration

For the period	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Remuneration	**1.4**	1.1
Gain on award of PSP	—	0.1
	1.4	1.2

Full details of Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 63 to 72 which form part of these financial statements.

5. Non—recurring Items

For the period	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Non-recurring operating expenses:		
Organisational restructure costs (a)	**1.7**	—
Lease guarantee provision (b)	—	(0.2)
Onerous lease provision (c)	—	(0.2)
Impairment of Property, Plant and Equipment (d)	—	0.7
Non-recurring items before tax	**1.7**	0.3
Tax on non-recurring items (e)	**(0.3)**	0.1
Non-recurring items after tax	**1.4**	0.4

a. In the current year organisational restructuring was undertaken across Autocentres and Retail, to better align resource to the requirements of the business. This resulted in a non-recurring redundancy expense of £1.7m.

b. 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 prior year the continued settlement of the Group's guarantor obligations resulted in a release of £0.2m of the original amounts provided, which resulted in no further outstanding provision in relation to this issue.

c. 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 prior year a release of £0.2m occurred following the finalisation of an exit agreement for the Wembley store.

d. 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.

e. The tax credit of £0.3m represents a tax rate of 20% applied to non-recurring items. The prior period represents a tax charge at 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.

6. Finance Income and Costs

Recognised in profit or loss for the period	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Finance costs:		
Bank borrowings	**(0.9)**	(1.3)
Amortisation of issue costs on loans	**(0.7)**	(0.6)
Commitment and guarantee fees	**(0.6)**	(0.8)
Costs of forward foreign exchange contracts	**(0.1)**	(0.2)
Interest payable on finance leases	**(0.8)**	(0.7)
Finance costs	**(3.1)**	(3.6)
Finance income:		
Bank and similar interest	**0.1**	0.1
Finance income	**0.1**	0.1
Net finance costs	**(3.0)**	(3.5)

Notes to the Financial Statements continued

7. Taxation

For the period	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Current taxation		
UK corporation tax charge for the period	**13.1**	20.9
Adjustment in respect of prior periods	**—**	(1.8)
	13.1	19.1
Deferred taxation		
Origination and reversal of temporary differences	**3.1**	(1.5)
Adjustment in respect of prior periods	**0.1**	0.4
	3.2	(1.1)
Total tax charge for the period	**16.3**	18.0

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

For the period	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Profit before tax	**79.8**	83.8
UK corporation tax at standard rate of 20% (2015: 21%)	**16.0**	17.6
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**1.1**	1.3
Employee share options	**(0.4)**	0.4
Other disallowable expenses	**(0.3)**	0.4
Adjustment in respect of prior periods	**0.1**	(1.4)
Impact of overseas tax rates	**(0.4)**	(0.4)
Impact of change in tax rate on deferred tax balance	**0.2**	0.1
Total tax charge for the period	**16.3**	18.0

The UK corporation tax rate reduced from 21% to 20% (effective 1 April 2015) and will be further reduced to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) following changes substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 1 April 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

In the Chancellor's March 2016 budget he announced plans to further reduce the corporation tax rate to 17% from 1 April 2020, however this was yet to be substantively enacted at the balance sheet date.

In this financial period, the UK corporation tax rate was 20% (2015: 21%).

The effective tax rate of 20.5% (2015: 21.5%) is higher than the UK corporation tax rate principally due to the non-deductibility of depreciation charged on capital expenditure.

The tax charge on profit for the financial period was £16.3m (2015: £18.0m), including a £0.3m credit (2015: £0.1m charge) in respect of tax on non-recurring items.

An income tax credit of £0.4m (2015: £1.2m charge) 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.

In addition to the above a £0.7m (2015: £nil) current tax credit and a £1.4m deferred tax debit (2015: £0.3m credit) is recognised in reserves in relation to employee share options.

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 £150m (2015: £149.0m) with the main taxes including corporation tax £17.2m (2015: £16.1m), net VAT £50.2m (2015: £53.1m), employment taxes of £45.3m (2015: £42.8m) and business rates £36.9m (2015: £37.0m).

8. Dividends

For the period	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Equity – ordinary shares		
Final for the 53 weeks to 3 April 2015 – paid 11.00p per share (2015: 9.10p)	**21.4**	17.7
Interim for the 52 weeks to1 April 2016 – paid 5.66p per share (2015: 5.50p)	**11.0**	10.7
	32.4	28.4

In addition, the Directors are proposing a final dividend in respect of the financial period ended 1 April 2016 of 11.34p per share (2015: 11.00p per share), which will absorb an estimated £22.0m (2015: £21.4m) of shareholders' funds. It will be paid on 28 August 2016 to shareholders who are on the register of members on 7 August 2016.

9. Earnings Per Share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 52 weeks to 1 April 2016.

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	52 weeks to 1 April 2016 Number of shares m	53 weeks to 3 April 2015 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)	**(3.9)**	(4.9)
Weighted average number of shares for calculating basic earnings per share	**195.2**	194.2
Weighted average number of dilutive shares	**1.1**	3.2
Total number of shares for calculating diluted earnings per share	**196.3**	197.4

For the period	52 weeks to 1 April 2016 £m	53 weeks to 3 April 2015 £m
Basic earnings attributable to equity shareholders	**63.5**	65.8
Non-recurring items (see note 5):		
Operating expenses	**1.7**	0.3
Tax on non-recurring items	**(0.3)**	0.1
Underlying earnings before non-recurring items	**64.9**	66.2

For the period	52 weeks to 1 April 2016	53 weeks to 3 April 2015
Basic earnings per ordinary share	**32.5p**	33.8p
Diluted earnings per ordinary share	**32.4p**	33.3p
Basic earnings per ordinary share before non-recurring items	**33.2p**	34.1p
Diluted earnings per ordinary share before non-recurring items	**33.0p**	33.5p

Notes to the Financial Statements continued

10. Acquisition of Subsidiary

In the prior year 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. There have been no adjustments to goodwill during the current period.

11. Intangible Assets

	Brand names and trademarks £m	Customer relationships £m	Favourable leases £m	Computer software £m	Goodwill £m	Total £m
Cost						
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
Additions	—	—	—	12.5	—	12.5
Disposals	—	—	—	(0.1)	—	(0.1)
At 1 April 2016	**4.2**	**14.9**	**2.3**	**37.5**	**355.2**	**414.1**
Amortisation						
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
Charge for the period	0.3	0.7	0.1	5.2	—	6.3
At 1 April 2016	**1.6**	**9.2**	**0.5**	**18.2**	**21.7**	**51.2**
Net book value at 1 April 2016	**2.6**	**5.7**	**1.8**	**19.3**	**333.5**	**362.9**
Net book value at 3 April 2015	2.9	6.4	1.9	12.1	333.5	356.8

No intangible assets are held as security for external borrowings.

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

Goodwill of £253.1m (2015: £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 within Retail.

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 prior to aggregation. 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 1 April 2016 and 3 April 2015 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	**2016**	2015	**2016**	2015
Discount rate	1	**8.5%**	**7.3%**	**7.7%**	8.3%
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 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
Additions	6.6	21.2	—	27.8
Disposals	(1.0)	(1.9)	—	(2.9)
At 1 April 2016	**72.9**	**205.2**	**—**	**278.1**
Depreciation				
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
Depreciation for the period	4.3	19.5	—	23.8
Disposals	(0.9)	(1.5)	—	(2.4)
At 1 April 2016	**38.0**	**132.8**	**—**	**170.8**
Net book value at 1 April 2016	**34.9**	**72.4**	**—**	**107.3**
Net book value at 3 April 2015	32.7	71.1	—	103.8

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 1 April 2016			
Cost	**12.7**	**1.4**	**14.1**
Additions	**—**	**1.1**	**1.1**
Accumulated depreciation	**(6.1)**	**(1.1)**	**(7.2)**
Net book value	**6.6**	**1.4**	**8.0**
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

1. Relates to the Halfords Support Centre building lease, which expires in 2028.

12. Tangible Assets continued

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016 £m	**Interest 2016 £m**	**Principal 2016 £m**	Minimum lease payments 2015 £m	Interest 2015 £m	Principal 2015 £m
Less than one year	**1.4**	**0.7**	**0.7**	1.4	0.8	0.6
Between one and five years	**6.1**	**2.4**	**3.7**	5.1	2.4	2.7
More than five years	**9.1**	**1.8**	**7.3**	10.2	2.3	7.9
	16.6	**4.9**	**11.7**	16.7	5.5	11.2

13. Inventories

	2016 £m	2015 £m
Finished goods for resale	**157.9**	149.3

Finished goods inventories include £15.7m (2015: £17.0m) 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 £5.1m was recognised as an expense in respect of the write down of inventories (2015: £12.1m) to net realisable value. No inventories are held as security for external borrowings.

14. Trade and Other Receivables

	2016 £m	2015 £m
Falling due within one year:		
Trade receivables	**17.9**	15.9
Less: provision for impairment of receivables	**(0.5)**	(0.4)
Trade receivables-net	**17.4**	15.5
Other receivables	**9.3**	7.9
Prepayments and accrued income	**34.0**	32.4
	60.7	55.8

During the period the Group charged the provision with £0.2m (2015: £0.1m) for the impairment of trade receivables and utilised £0.1m (2015: £nil).

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:

	2016 £m	2015 £m
Neither past due nor impaired	**15.4**	14.3
Past due by 1–30 days	**2.6**	2.1
Past due by 31–90 days	**1.2**	1.4
Past due by 91–180 days	**1.0**	0.6
Past due by more than 180 days	**0.5**	—
	20.7	18.4

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 £3.3m (2015: £2.9m) of other receivables.

15. Cash and Cash Equivalents

	2016 £m	2015 £m
Cash at bank and in hand	**11.9**	22.4

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

	2016 £m	2015 £m
Current		
Unsecured bank overdraft	**22.7**	22.3
Finance lease liabilities	**0.7**	0.6
	23.4	22.9
Non-current		
Unsecured bank loan and other borrowings[1]	**25.4**	50.7
Finance lease liabilities	**11.0**	10.6
	36.4	61.3

1. The above borrowings are stated net of unamortised issue costs of £1.6m (2015: £2.3m).

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:

	2016 £m	2015 £m
Expiring within 1 year	**20.0**	20.0
Expiring between 1 and 2 years	**—**	—
Expiring between 2 and 5 years	**123.0**	97.0
	143.0	117.0

The overdraft facility expiring within one year is an annual facility subject to review at various dates during the period. The facility of £143.0m (2015: £117.0m) relates to the Group's revolving credit facility. All these facilities incurred commitment fees at market rates.

17. Trade and Other Payables

	2016 £m	2015 £m
Current liabilities		
Trade payables	**98.7**	107.8
Other taxation and social security payable	**23.8**	15.7
Other payables	**11.1**	9.7
Deferred income – lease incentives	**4.5**	3.9
Accruals and other deferred income	**44.4**	44.3
	182.5	181.4
Non-current liabilities		
Deferred income – lease incentives	**32.3**	31.5

18. Provisions

	Property related £m	Other trading £m	Total £m
At 3 April 2015	10.2	8.6	18.8
Charged during the period	0.9	4.9	5.8
Utilised during the period	(1.7)	(4.8)	(6.5)
Released during the period	(0.7)	—	(0.7)
At 1 April 2016	**8.7**	**8.7**	**17.4**
Analysed as:			
Current liabilities	**6.6**	**2.9**	**9.5**
Non-current liabilities	**2.1**	**5.8**	**7.9**

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.

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 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
Credit/(charge) to the income statement	0.5	(4.0)	—	0.4	(3.1)
Charge to other comprehensive income	—	0.4	—	—	0.4
Credit to equity	—	—	(1.4)	—	(1.4)
At 1 April 2016	**1.5**	**(0.1)**	**0.6**	**(2.0)**	—

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:

	1 April 2016 £m	3 April 2015 £m
Deferred tax assets	**2.1**	6.5
Deferred tax liabilities	**(2.1)**	(2.4)
	—	4.1

Notes to the Financial Statements continued

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 £0.4m (2015: £0.5m).

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.

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.

20. Financial Instruments and Related Disclosures continued

Fair Value Hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value have been measured by a Level 2 valuation method.

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

	2016 £m	2015 £m
Cash and cash equivalents	**11.9**	22.4
Loans and receivables	**20.7**	18.4
Forward exchange contracts used for hedging (assets)	**4.2**	3.9
Total financial assets	**36.8**	44.7
Trade and other payables – held at amortised cost	**(154.2)**	(157.6)
Borrowings at amortised cost	**(27.0)**	(53.0)
Unsecured bank overdraft	**(22.7)**	(22.3)
Finance leases	**(11.7)**	(11.2)
Forward exchange contracts used for hedging (liabilities)	**—**	(0.1)
Total financial liabilities	**(215.6)**	(244.2)

Trade and other payables within the scope of IAS 39 include all trade payables, all other payables and £44.4m (2015: £40.1m) 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 £36.8m (2015: £44.7m) 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 52 weeks to 1 April 2016, 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 24-month basis. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts.

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

	1 April 2016		3 April 2015	
	USD £m	**Other £m**	USD £m	Other £m
Cash and cash equivalents	**2.3**	**(1.1)**	6.4	1.0
Trade and other payables	**(19.4)**	**(0.4)**	(19.7)	(0.7)
	(17.1)	**(1.5)**	(13.3)	0.3

Notes to the Financial Statements continued

20. Financial Instruments and Related Disclosures continued

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.

	2016 Increase/ (decrease) in equity £m	2015 Increase/ (decrease) in equity £m
10% appreciation of the US dollar	**10.2**	13.0
10% depreciation of the US dollar	**(8.4)**	(4.0)

A strengthening/weakening of Sterling, as indicated, against the USD at 1 April 2016 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 the 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 biannually to the Group banking agent. There have been no breaches of covenants during the reported periods.

The contractual maturities of finance leases are disclosed in note 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:

	1 April 2016 Bank borrowings £m	3 April 2015 Bank borrowings £m
Due less than one year	**1.1**	1.5
Expiring between 1 and 2 years	**1.1**	1.5
Expiring between 2 and 5 years	**28.9**	57.0
Expiring after 5 years	**—**	—
Contractual cash flows	**31.1**	60.0
Carrying amount	**25.4**	50.7

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 1 April 2016 (3 April 2015).

	2016		2015	
	Receivables £m	**Payables £m**	Receivables £m	Payables £m
Due less than one year	**89.9**	**(85.8)**	78.5	(74.8)
Due between 1 and 2 years	**8.3**	**(8.2)**	6.0	(5.9)
Contractual cash flows	**98.2**	**(94.0)**	84.5	(80.7)
Fair value	**4.2**	**—**	3.9	(0.1)

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	**2016 Number of shares**	**2016 £000**	2015 Number of shares	2015 £000
Allotted, called up and fully paid	**199,116,632**	**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 the Company's share capital increased by 53,410 shares (2015: no movement) following the issue of shares in relation to the exercise of options under the Company's Sharesave Scheme. There has been no significant impact on share premium as a result of the transaction, which has remained at £151.0m (2015: £151.0m).

In total the Company received proceeds of £2.7m (2015: £0.7m) from the exercise of share options.

Investment in Own Shares

At 1 April 2016 the Company held in Trust 2,984,289 (2015: 4,745,633) of its own shares with a nominal value of £29,843 (2015: £47,456). 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 1 April 2016 was £11.7m (2015: £21.7m). In the current period nil shares (2015: nil) were repurchased and transferred into the Trust, with 1,761,344 (2015: 271,569) 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 three share award plans, all of which are equity-settled schemes. The Group Income Statement charge recognised in respect of share based payments for the current period is £3.0m (2015: £1.4m).

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 before August 2013 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.

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

Notes to the Financial Statements continued

22. Share Based Payments continued

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.

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.

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.

For the period ended 1 April 2016

	CSOS		SAYE		PSP	
	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)	Number ('000)	WAEP (£)
Outstanding at start of year	5,378	3.45	2,603	2.23	2,078	0.00
Granted	3,017	4.35	2,289	3.36	698	—
Shares representing dividends reinvested						
Forfeited	(1,243)	5.12	(897)	3.89	(955)	—
Exercised	(77)	3.54	(1,573)	1.56	(73)	—
Lapsed	(1,787)	2.20	(3)	—	(411)	—
Outstanding at end of year	5,288	3.96	2,419	3.12	1,337	—
Exercisable at end of year	262	3.32	—	—	—	—
Exercise price range (£)		2.20—5.43		1.56—4.25		—
Weighted average remaining contractual life (years)		8.2		2.8		1.6

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

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

	52 weeks to 1 April 2016			53 weeks to 3 April 2015		
Grant date	**CSOS**	**SAYE**	**PSP**	CSOS	SAYE	PSP
Share price at grant date (£)	**3.33/5.38**	**5.33/3.37**	**5.33/3.95**	4.79	4.83	4.79
Exercise price (£)	**3.22/5.43**	**4.25/2.98**	**0.00**	4.69	3.82	0.00
Expected volatility	**31.85%/ 32.41%**	**32.88%/ 32.75%**	**31%**	34%	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	**1.31%**	**1.06%**	**0**	1.86%	1.56%	—
Expected dividend yield	**3.07%/5.01%**	**3.1%/4.95%**	**0.00%**	2.99%	2.96%	—
Probability of forfeiture	**33%**	**44%**	**30%**	33%	44%	30%
Weighted average fair value of options granted	**£0.86**	**£0.90**	**£5.02**	£1.15	£1.40	£4.79

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.

Notes to the Financial Statements continued

23. Commitments

	2016 £m	2015 £m
Capital expenditure: Contracted but not provided	**0.2**	0.9

At 1 April 2016, the Group was committed to making payments in respect of non-cancellable operating leases in the following periods:

	Land and buildings 2016 £m	Other assets 2016 £m	Land and buildings 2015 £m	Other assets 2015 £m
Within one year	**80.5**	**2.6**	76.9	2.8
Later than one year and less than five years	**281.8**	**3.7**	294.8	4.9
After five years	**212.0**	**0.2**	265.4	0.4
	574.3	**6.5**	637.1	8.1

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 £20.0m (2015: £23.0m).

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 £5.7m (2015: £5.1m).

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 1 April 2016 amounted to £3.9m (2015: £3.9m).

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

26. Related Party Transactions

The Group's ultimate parent company is Halfords Group plc. A listing of all related party undertakings is shown within the financial statements of the Company on pages 116.

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 63 to 72. 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 24 May 2016, after the year end, the Group acquired 100% of the issued share capital of Tredz Limited and Wheelies Direct Limited, for a total capped consideration of £31.6m which includes £12.5m contingent consideration. Tredz Limited is an online and shop-based cycling retailer and Wheelies Direct Limited is a cycling insurance replacement company.

The contingent consideration payable for the acquisition is dependent on an EBITDA multiple, calculated over a 12 month period ending 28 February 2017.

Given the timing of the acquisition we are not able to disclose information regarding the assets and liabilities acquired, the fair values of these and any associated goodwill as these are subject to fair value assessments.

Company Balance Sheet

	Notes	1 April 2016 £m	3 April 2015 £m
Fixed assets			
Investments	4	**19.5**	16.9
Current assets			
Debtors falling due within one year	5	**471.8**	648.3
Cash and cash equivalents		**5.2**	2.5
		477.0	650.8
Creditors: amounts falling due within one year	6	**(132.8)**	(260.8)
Net current assets		**344.2**	390.0
Creditors: amounts falling due after more than one year	6	**(25.3)**	(50.7)
Net assets		**338.4**	356.2
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	**(10.9)**	(13.6)
Capital redemption reserve	9	**0.3**	0.3
Profit and loss account	9	**196.0**	216.5
Total shareholders' funds		**338.4**	356.2

The notes on pages 114 to 118 are an integral part of the Company's financial statements.

The Company has elected to prepare its financial statements under FRS 101and the accounting policies are outlined on page 114.

The financial statements on pages 112 to 118 were approved by the Board of Directors on 1 June 2016 and were signed on its behalf by:

Jonny Mason
Chief Financial Officer

Company number: 04457314

Statement of Changes in Shareholders' Equity

	Share capital £m	Share premium £m	Investment in own shares £m	Capital redemption £m	Retained earnings £m	Total £m
At 28 March 2014 (as reported)	2.0	151.0	(14.3)	0.3	188.5	**327.5**
Effect of changes in accounting policies	—	—	—	—	0.9	**0.9**
At 28 March 2014 (as restated)	2.0	151.0	(14.3)	0.3	189.4	**328.4**
Profit for the period	—	—	—	—	6.1	**6.1**
Distribution in-specie	—	—	—	—	48.0	**48.0**
Share options exercised	—	—	0.7	—	—	**0.7**
Share based payments	—	—	—	—	1.4	**1.4**
Dividends paid	—	—	—	—	(28.4)	**(28.4)**
At 3 April 2015	2.0	151.0	(13.6)	0.3	216.5	**356.2**
Profit for the period	—	—	—	—	8.9	**8.9**
Share options exercised	—	—	2.7	—	—	**2.7**
Share based payments	—	—	—	—	3.0	**3.0**
Dividends paid	—	—	—	—	(32.4)	**(32.4)**
At 1 April 2016	**2.0**	**151.0**	**(10.9)**	**0.3**	**196.0**	**338.4**

Accounting Policies

Accounting Convention
The accounts of the Company are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks to 1 April 2016, whilst the comparative period covered the 53 weeks to 3 April 2015. The accounts are prepared under the historical cost convention, except where Financial Reporting Standards requires an alternative treatment in accordance with FRS 101 and specifically in accordance with the accounting policies set out below. The principal variation to the historical cost convention relates to share based payments.

Basis of Preparation
The Company meets the definition of a qualifying entity under the Financial Reporting Standard 100 ("FRS 100"). Accordingly, in the year ended 1 April 2016, the Company has adopted FRS 101 "Reduced Disclosure Framework" and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore the recognition and measurement requirements of EU-adopted IFRS have been applied, with amendments where necessary in order to comply with the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures have been given in the Group financial statements.

As permitted by section 408 of the Companies Act 2006, no profit or loss account or cash flow statement is presented for this Company. The profit for the year is disclosed in note 1 to the financial statements.

Employee Benefit Trusts ('EBTs') 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.

First Time Adoption of FRS 101
The Company's date of transition to FRS 101 is 29 March 2014 and all comparative information in the financial statements has been restated to reflect the Company's adoption of FRS 101, except where otherwise required or permitted by paragraphs 6 to 33 of International Financial Reporting Standard 1 - "First Time Adoption of International Financial Reporting Standards" (IFRS 1). Details of this transition are given in note 13.

The Group adopted IFRS for the first time in its consolidated financial statements in the year ended 31 March 2006. In accordance with IFRS 1, the Company has measured its assets and liabilities at the carrying amounts that would be included in the consolidated financial statements of the Group.

Share Based Payments
The Company operates a number of equity-settled, share based compensation plans that are awarded to employees of the Company's subsidiary undertakings.

In accordance with FRS 101 'Group and treasury share transactions' the fair value of the employee services received under such schemes is recognised as an expense in the subsidiary undertaking's financial statements, which benefit from the employee services. The Company has recognised the fair value of the share based payments as an increase to equity with a corresponding adjustment to investments.

Fair values are determined using appropriate option pricing models. The total fair value recognised is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

At each balance sheet date, the Company revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised as an adjustment to equity, with a corresponding adjustment to investments, over the remaining vesting period.

Investments
Investments in subsidiary undertakings are stated at the original cost of the investments. Provision is made against cost where, in the opinion of the Directors, the value of the investments has been impaired.

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

Notes to the Financial Statements

1. Profit and Loss Account

The Company made a profit before dividends paid for the financial profit of £8.9m (53 week period to 3 April 2015: £6.1m). 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 52 weeks to 1 April 2016 the Company expensed £nil (2015: £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 58 to 72 which forms part of the audited information.

4. Investments

	£m
Shares in Group undertaking	
Cost	
As at 3 April 2015	16.9
Additions - share based payments	3.0
Fair value movement	(0.4)
At 1 April 2016	**19.5**

The investments represent shares in the following subsidiary undertakings as at 1 April 2016 and the fair value of share based compensation plans that are awarded to employees of the Company's subsidiary undertakings. 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

4. Investments continued

The related undertakings of the Company at 1 April 2016 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 Payment Services Limited*	Dormant	100
Savvy Bikes Limited*	Dormant	100
Halfords Investments (2010) LP**	Intermediate holding partnership	100
Halfords Autocentres Holdings Limited*	Intermediate holding company	100
Halfords Autocentres Funding Limited*	Dormant	100
Halfords Autocentres Limited*	Car servicing	100
Halfords Autocentres Acquisitions Limited*	Dormant	100
NW Autocentres Limited*	Dormant	100
Halfords Autocentres Developments Limited*	Dormant	100
Stop N' Steer Limited*	Dormant	100
Halfords Limited (ROI)*	Dormant	100
Halfords Vehicle Management Limited*	Dormant	100
Boardman Bikes Limited*	Cycle design and cycle sales	100
Boardman International Limited*	Cycle design and cycle sales	100
Other equity investments		
Hamilton Internet Services Limited*	eCommerce	7.6

* 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, Halfords Autocentres Limited, Boardman Bikes Limited and Boardman International Limited.

5. Debtors

	2016 £m	2015 £m
Falling due within one year:		
Amounts owed by Group undertakings	**471.8**	648.3
	471.8	648.3

Amounts owed by Group undertakings are subject to interest. At 1 April 2016 the amounts bear interest at a rate of 1.75% (2015: 1.75%).

6. Creditors

	2016 £m	2015 £m
Falling due within one year:		
Bank borrowings (note 7)	**26.2**	16.5
Accruals and deferred income	**106.6**	244.3
	132.8	260.8
Falling due after more than one year:		
Bank borrowings (note 7)	**25.3**	50.7
	25.3	50.7

7. Borrowings

	2016 £m	2015 £m
Current		
Unsecured bank overdraft	**26.2**	16.5
Non-current		
Expiring between two and five years	**25.3**	50.7
	51.5	67.2

The above borrowings are stated net of unamortised issue costs of £1.6m (2015: £2.3m).

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:	2016 Number of shares	2016 £000	2015 Number of shares	2015 £000
Allotted, called up and fully paid	**199,116,632**	**1,991**	199,063,222	1,991

During the current period the Company's share capital increased by 53,410 shares (2015: no movement) following the issue of shares in relation to the exercise of options under the Company's Sharesave Scheme. There has been no significant impact on share premium as a result of the transaction, which has remained at £151.0m (2015: £151.0m).

In total the Company received proceeds of £2.7m (2015: £0.7m) 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.

Investment in Own Shares

At 1 April 2016 the Company held in Trust 2,984,289 (2015: 4,745,633) of its own shares with a nominal value of £29,843 (2015: £47,456). 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 1 April 2016 was £11.7m (2015: £21.7m). In the current period nil shares (2015: nil) were repurchased and transferred into the Trust, with 1,761,344 (2015: 271,569) reissued on exercise of share options.

9. Reserves

The Company settled dividends of £32.4m (2015: £28.4m) in the period, as detailed in note 8 of the Group's financial statements.

Included in the profit and loss account is £nil of reserves that are not distributable (2015: £166.0m).

During the prior year, the Company received a dividend-in-specie, being a receivable due from another Group company, which was 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 prior 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) required 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 considered 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 and the cost of the investment of £280.3m was reallocated to the carrying amount of the holding Company's receivable. Given that the receivable had a fair value of £328.3m, the Company recognised an unrealised gain of £48.0m through the Statement of Recognised Gains and Losses ("STRGL"). The effect of this departure was 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.

In the current year, the receivable of £280.3m recognised in the Company balance sheet as a result of the prior year dividend-in-specie was settled in return for another receivable with a Group company. This resulted in the realisation of the £166.0m non-distributable reserves disclosed in the prior year accounts.

10. Related Party Disclosures

Under FRS 101 "Related party disclosures" the Company is exempt from disclosing related party transactions with entities over which it wholly owns.

Notes to the Financial Statements

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 1 April 2016 amounted to £3.9m (2015: £3.9m).

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.

13. Transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 3 April 2015 and the date of transition to FRS 101 was therefore 29 March 2014.

		2015			2014		
	Notes	Reported £m	Impact of FRS 101 £m	Restated £m	Reported £m	Impact of FRS 101 £m	Restated £m
Fixed assets							
Investments	1	16.5	0.4	16.9	295.4	0.9	296.3
		16.5	0.4	16.9	295.4	0.9	296.3
Current assets							
Debtors: amounts falling due within one year	2	648.3	—	648.3	78.3	278.6	356.9
Debtors: amounts falling after one year	2	—	—	—	278.6	(278.6)	—
Cash at bank and in hand		2.5	—	2.5	1.8	—	1.8
		650.8	—	650.8	358.7	—	358.7
Creditors: amounts falling due within one year	2	(260.8)	—	(260.8)	(0.2)	(242.4)	(242.6)
Net current assets		**390.0**	**—**	**390.0**	**358.5**	**(242.4)**	**116.1**
Creditors: amounts falling due after more than one year	2	(50.7)	—	(50.7)	(326.4)	242.4	(84.0)
Net assets		**355.8**	**0.4**	**356.2**	**327.5**	**0.9**	**328.4**
Capital and reserves							
Called up share capital		2.0	—	2.0	2.0	—	2.0
Share premium account		151.0	—	151.0	151.0	—	151.0
Investment in own shares		(13.6)	—	(13.6)	(14.3)	—	(14.3)
Capital redemption reserve		0.3	—	0.3	0.3	—	0.3
Retained earnings	1	216.1	0.4	216.5	188.5	0.9	189.4
Total equity		**355.8**	**0.4**	**356.2**	**327.5**	**0.9**	**328.4**

Transitional adjustments

Under FRS 101, the Company applies the recognition and measurement requirements of EU-adopted IFRS, with the exception of where the Companies Act 2006 has different requirements. Adoption of FRS 101 had no impact on the cash flows of the Company.

1. Investments

Halfords Group plc issued loans to Halfords Holdings (2006) Limited and Halfords Finance Limited which attracted 0% interest. The interest free element means that these loans are treated as a capital contribution and so the difference between the loan principal and a discounted market rate of interest (£0.9m) is capitalised as an investment in the entity. An increase in retained earnings has also been recognised. This adjustment reduced the previously reported Company profit by £0.5m in 2015 as the fair value adjustment unwound and was charged to the profit and loss account as an interest charge.

2. Intercompany balances

The intercompany debtor and creditor balances have been reassessed and deemed to be repayable on demand, therefore aged as due within 12 months. This adjustment had no impact on the profit and loss account as previously reported.

Five Year Record

	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	**52 weeks to 1 April 2016 (audited) £m**
Revenue	863.1	871.3	939.7	1,004.9	**1,021.5**
Cost of sales	(390.3)	(394.2)	(435.5)	(469.8)	**(478.4)**
Gross profit	472.8	477.1	504.2	535.1	**543.1**
Operating expenses	(373.7)	(400.0)	(426.4)	(450.5)	**(458.6)**
Operating profit before non-recurring items	97.2	78.1	77.8	84.6	**84.5**
Non-recurring operating expenses	1.9	(1.0)	(0.2)	(0.3)	**(1.7)**
Operating profit	99.1	77.1	77.6	84.3	**82.8**
Net finance costs	(5.0)	(6.1)	(5.0)	(3.5)	**(3.0)**
Profit before tax and non-recurring items	92.2	72.0	72.8	81.1	**81.5**
Non-recurring operating expenses	1.9	(1.0)	(0.2)	(0.3)	**(1.7)**
Profit before tax	94.1	71.0	72.6	80.8	**79.8**
Taxation	(24.8)	(18.2)	(17.0)	(17.4)	**(16.6)**
Taxation on non-recurring items	(0.9)	(0.1)	(0.1)	(0.1)	**0.3**
Profit attributable to equity shareholders	68.4	52.7	55.5	63.3	**63.5**
Basic earnings per share	34.2p	27.2p	28.6p	32.5p	**32.5p**
Basic earnings per share before non-recurring items	33.7p	27.7p	28.8p	32.7p	**33.2p**
Weighted average number of shares	199.9m	194.3m	194.0m	194.2m	**195.2m**

Key Performance Indicators

	52 weeks to 30 March 2012	52 weeks to 29 March 2013	52 weeks to 28 March 2014	52 weeks to 27 March 2015	**52 weeks to 1 April 2016**
Revenue growth	—0.8%	+1.0%	+7.9%	+6.9%	**+1.7%**
Gross margin	54.8%	54.8%	53.7%	53.2%	**53.2%**
Operating margin	11.5%	8.8%	8.3%	8.4%	**8.3%**
Underlying Group EBITDA	£123.6m	£103.4m	£101.1m	£109.9m	**£114.6m**
Net debt	(£139.2m)	(£110.6m)	(£99.6m)	(£61.8m)	**(£47.9m)**

* 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

1 July 2016	Q1 Trading Statement
26 July 2016	Annual General Meeting
5 August 2016	Final Dividend Record Date
26 August 2016	Final Dividend Payment Date
10 November 2016	Interim Results

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halfords

Corporate and IR website
www.halfordscompany.com

Online Annual Report 2016
halfords.annualreport2016.com

Commercial Website
www.halfords.com