halfords

Halfords Group plc
Preliminary Results: Financial Year 2015

Halfords Group plc, the UK's leading retailer of automotive, cycling and leisure products and a leading independent operator in garage servicing and auto repair, today announces its preliminary results for the 53 weeks to 3 April 2015 ("the financial year"). The audited financial statements represent the 53-week period; however we believe that the proforma 52-week results to 27 March 2015 better reflect the underlying performance of the business when compared to FY14. On this basis all commentary included in the summary statement, the Operational and Business Review and the Chief Financial Officer's Report is based on the proforma 52-week period to 27 March 2015 ("the year") unless otherwise stated. All numbers shown in this statement are before non-recurring costs, unless otherwise stated.

Group Financial Summary

	FY15 (audited 53 weeks) £m	FY15 (proforma 52 weeks) £m	FY14 (audited 52 weeks) £m	52 week change %	Like-for-Like Revenues ("LFL") %
Total Group Revenue	1,025.4	1,004.9	939.7	+6.9	+6.8
Retail	*875.1*	*857.9*	*803.1*	*+6.8*	*+7.0*
Autocentres	*150.3*	*147.0*	*136.6*	*+7.6*	*+5.3*
Gross Margin					
Retail	*51.5%*	*51.5%*	*51.8%*	*-30bps*	
Autocentres	*63.4%*	*63.3%*	*64.4%*	*-109bps*	
Group EBITDA	113.3	109.9	101.1	+8.7	
Profit Before Tax and non-recurring items	84.1	81.1	72.8	+11.4	
Basic Earnings Per Share, before non-recurring items	34.1p	32.7p	28.8p	+13.8	
Profit Before Tax, after non-recurring items	83.8	80.8	72.6	+11.3	
Basic Earnings Per Share, after non-recurring items	33.8p	32.5p	28.6p	+13.6	
Net Debt	61.8		99.6	-38.0	
Proposed Full-Year Dividend Per Share	16.5p		14.3p	+15.4	

Business Highlights

- A strong broad-based sales performance; driven by new products and brands, compelling offers and improving customer service
- The *Getting Into Gear* strategy continues to progress well
- 46% of colleagues through Gear 2 training with customer feedback scores rising further
- 45 stores refreshed and Cycle Republic launched
- Jill McDonald joins as CEO in May 2015

Financial Highlights

- Group revenues exceeded £1bn, a year ahead of plan
- Retail LFL growth of 7.0% and Q4 +7.5%, the 11th successive quarter of growth
- Online Retail sales exceeded £100m; growth of +14.3% (Q4: +12.6%)
- Group EBITDA up 8.7% with EBITDA margin improvement
- Basic earnings per share up 13.8%
- Proposed full-year dividend per share of 16.5p up 15.4%
- Net Debt reduced to £61.8m, with Net Debt to EBITDA (52 week) at 0.6:1

Dennis Millard, Chairman, commented:
"This was another year of strong revenue growth, this time against tough comparatives, and leading to a pleasing improvement in profitability. We are delighted to have exceeded £1bn of Group Revenue, a year ahead of plan, and are building a sustainable platform for future growth. At the very core of our strategy is customer service and investment in our colleagues, our proposition and our infrastructure. In Retail, colleagues progressed well through their Gear 2 training, customer satisfaction scores rose, we have more refreshed stores and launched Cycle Republic and we strengthened our authority in our core categories. Autocentres has a clear strategy under new leadership, but whilst it has delivered an improved sales performance, there is room for improvement.

"There still remains much to do in both Retail and Autocentres and FY16 will be a particularly busy year of activity and investment as we continue to focus on driving the top-line and rolling out our *Getting Into Gear* strategy. I would like to warmly welcome Jill McDonald, our new CEO who started a few weeks ago, and who joins at an exciting time."

Quarterly Performance

	FY15* % change	**Q4 FY15* % change**	**Q1-Q3 FY15 % change**
TOTAL REVENUE			
Halfords Group	**+6.9**	**+7.9**	**+6.7**
Retail	+6.8	+8.0	+6.6
Autocentres	+7.6	+7.6	+7.6
LFL REVENUE			
Halfords Group	**+6.8**	**+7.3**	**+6.6**
Retail	+7.0	+7.5	+6.9
Cycling	*+11.4*	*+1.2*	*+13.3*
Car Maintenance	*+8.5*	*+14.6*	*+6.8*
Car Enhancement	*-0.5*	*+1.6*	*-1.0*
Travel Solutions	*+5.4*	*+10.6*	*+4.5*
Autocentres	+5.3	+6.6	+4.9

** FY15 full year represents the 52 weeks to 27 March 2015. Q4 FY15 represents the 11 weeks to 27 March 2015.*

FY16 Guidance

Cycle Republic non-LFL sales contribution	circa 1%
Retail Gross Margin	A decline of 25-75bps
Retail Operating Costs	4 - 5%
Retail Capital Expenditure	c. £45m
Autocentres EBITDA	Low double digit % increase on FY15 (52 weeks)
Autocentres Capital Expenditure	c.£8m
Group Depreciation Charge	c. £30m
Net Finance Costs	c. £3m
Effective Tax Rate	c. 20%

FY16 gains the second week of the 2015 Easter in addition to having both 2016 Easter weeks. However, Q1 FY16 has only one Easter week compared to two Easter weeks in Q1 FY15. Q4 FY16 has two Easter weeks compared to none in Q4 FY15.

Enquiries

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Notes

1. Where appropriate, revenues denominated in foreign currencies have been translated at constant rates of exchange.
2. Like-for-like sales represent revenues, including those attributable to Click & Collect, from stores and centres trading for greater than 365 days, plus online revenues from direct deliveries.
3. All numbers shown in this statement are before non-recurring items, unless stated otherwise.
4. EBITDA denotes earnings before net finance costs, tax, depreciation, amortisation and non-recurring items.
5. Q4 FY15 represents the 11-week period ending 27 March 2015.

Results Presentation

A presentation for analysts and investors will be held today starting at 9.15am at Investec, 2 Gresham Street, London, EC2V 7QP. Attendance is by invitation only. A live webcast of the presentation will be available at www.halfordscompany.com.

Forthcoming Newsflow

Halfords Group plc will publish a first-quarter trading statement on 15 July 2015.

Notes to Editors

www.halfords.com
www.halfordscompany.com
www.halfordsautocentres.com

Halfords is the UK's leading retailer of automotive, cycling and leisure products and, through Halfords Autocentres, also one of the UK's leading independent car servicing and repair operators. Halfords customers shop at 467[1] stores in the UK and Republic of Ireland, including four[1] Halfords 'Cycle Republic' shops, and at halfords.com for pick-up at their local store or direct home delivery. Halfords Autocentres operates from 305[1] sites nationally and offers motorists dealership-quality MOTs, repairs and car servicing at affordable prices.

The Halfords group strategy is based on three pillars:

- *Supporting Drivers Of Every Car*
- *Inspiring Cyclists Of Every Age*
- *Equipping Families For Their Leisure Time*

The *Getting Into Gear strategy* for the Retail business is based on executing in five key areas in order to deliver a significantly-enhanced customer experience:

- *Service Revolution*
- *The H Factor*
- *Stores Fit to Shop*
- *21st Century Infrastructure*
- *Click with the Digital Future*

[1] As at 3 April 2015

Halfords employs approximately 11,000 colleagues and sells around 9,000 product lines in its Retail stores, increasing to around 160,000 Retail products online. The Retail offering encompasses significant ranges in car parts, cycling products, in-car technology, child seats, roof boxes and camping equipment. Halfords' own cycling brands include *Apollo, Carrera*, *Boardman* and *13* cycles, augmented by a range of other brands of cycles and accessories, including *Kona*, *Mongoose, Raleigh* and *Pinarello*. In Auto, the *Halfords Essentials* and *Halfords Advanced* ranges are sold alongside brands such as *Kärcher*, *General Electric, Bosch, Garmin* and *TomTom.* In Travel Solutions, Halfords sells a premium range of equipment including camping brands such as *CampinGaz* and *Outwell*. Halfords offers customers expert advice and a fitting service called '***we***fit' for car parts, child seats, satellite navigation and in-car entertainment systems, and a '***we***repair' service for cycles.

Cautionary Statement

This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Halfords Group plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Halfords Group plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Operational and Business Review

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

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

Summary of Group Results

Sales of £1,004.9m were up 6.9%, with like-for-like ("LFL") revenue growth of 6.8%. Group gross margin fell by 40 basis points to 53.2%. Total operating costs rose by 5.7% primarily as a result of the strong sales volumes, the logistics transition and investments made in key areas of the business. Investment in the expansion of Autocentres continued as the business added 9 centres (with 7 closures, making a net addition of 2) and in Retail we opened 4 Cycle Republic shops.

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

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

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

Operational Review: Retail

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

Within Cycling, all elements were in growth. Premium Bikes was the standout performer with LFL growth of 24.9%, following growth of 29.9% in the previous year. Children's Bikes sales were also strong with 13.3% growth, particularly driven by older children's bikes, with sales up 40.5% due to an enhanced range and a successful "Does Anything Beat a Bike?" Christmas marketing campaign. Representing approximately one half of premium-cycle sales, *Cycle-To-Work* revenues grew by 15.4%. Sales of Parts, Accessories and Clothing ("PACs") grew by 8%, which was lower than we would have liked; it remains an opportunity that we are well-positioned and determined to take. Shortly after the end of the year we launched *Boardman* clothing. Cycle Repair sales were up 17.8% with second-half sales up 27.3%, helped by the roll-out of the new operating model, which is now in over 400 stores.

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

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

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

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

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

Operational Review: Autocentres

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

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

Halfords Business Review

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

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

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

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

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

In the last two years we have reduced the number of store colleagues by around 1,500, but at the same time increased the average weekly contractual hours worked per colleague from 17 to 25. We also overhauled the recruitment process and launched the 3-Gears training programme. All of these are designed to increase colleague loyalty, engagement and product knowledge and expertise, which in turn leads to improved customer service. This has been evidenced by an uplift in the net promoter score from 55% in the final quarter of FY13 to 78% in FY15. In addition, turnover of colleagues within 3 months of joining has reduced from over 20% in FY13 to 9% by the end of FY15. Our Retail engagement score has increased from 64% prior to the launch of Getting Into Gear to 81% in April 2015, and Halfords climbed to 18th in the 2015 list of Sunday Times Best Companies To Work For.

Our 3-Gears training programme continued to be rolled out: by the end of FY15 nearly all store colleagues had attained Gear 1 accreditation, 46% had qualified for Gear 2, along with over 300 colleagues at Gear 3 level. By the end of FY16 we aim to have 80% of store colleagues through Gear 2 as well as two Gear 3 colleagues in most stores. On top of the 3-Gears programme we operate management development training programmes, ‘Aspire’ and ‘Accelerate’, which helped us to fill around 60% of store management vacancies internally.

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

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

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

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

We have been learning as we progress through our refresh programme and we now have a menu of options available to apply to stores, ranging from a simple ‘space swap’ to a full refresh. By the end of the year we had refreshed a total of 72 stores, with positive response from customers and colleagues. We anticipate refreshing a cumulative total of around 150 by the end of FY16.

41 stores received a ‘space swap’, which involves optimising space allocation without changing the look and feel of the store, and 405 stores were implanted with the new cycle repair operating model, involving dedicated work stations, new tools and highly-trained mechanics.

Another part of *Stores Fit to Shop* is Cycle Republic, a new cycling-only store format targeted at the areas in which Halfords is under-represented: city centre locations, especially London, and the more premium and enthusiast sectors of the cycling market. By March 2015 we had opened 4 of these shops and their performance has given us the confidence to open around a further 11 by April 2016.

21st Century Infrastructure
Our ability to offer a great service and products in-store and online is built upon a solid infrastructure.

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

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

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

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

Over 90% of our online sales are picked up in store, driving footfall into our shops and enabling us to showcase our service offers and expertise. During the year ahead we will also be making Halfords stores available as locations for customers to pick up parcels ordered from other selected retailers, giving us access to a different potential customer base.

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

Autocentres

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

Community Engagement

We continue to take steps to increase our community engagement.

In FY15 over 20,000 children and parents attended free Kids’ Bike Workshops in store to learn the basics of how to look after their bike, with 96% of parents likely to recommend the summer workshop to others. In FY16, together with the Easter holiday, stores will run the workshop in the summer and during the October half-term week. Building on the success of these workshops, Halfords now also partners with the *Scouts Association*, with over 9,000 children being taught bike maintenance as part of the *Cub Cyclist Activity* badge. In addition, Halfords now runs tailored workshop in schools, focused on year-six pupils as they progress through *Bikeability* (formerly called cycling proficiency) with over 12,000 attending during the year.

Following on from the previous year’s opening of the Cycle Repair Academy in Onley Prison, whereby selected prisoners close to their release dates are being trained as bike mechanics, a number of the trainees are now working in stores as loyal, motivated and highly-trained bike mechanics.

Halfords continues its partnership with *Re~Cycle* (the charity that sends unwanted bikes to Africa), collecting over 12,000 bikes donated at Halfords stores so far and also diverting over 180 tonnes of waste. As well as the trade-in events and on-going collections at over 80 stores, Halfords colleagues raised over £122,000 to support the £10 it costs to send each bike to Africa. In November, Halfords also announced a new scheme to donate reconditioned bikes and helmets to primary schools in disadvantaged areas in eight cycling cities in the UK. The bikes are collected from the trade-in events held at Halfords stores and reconditioned by trainees at the Cycle Repair Academy in Onley Prison.

Halfords has also again been confirmed as the Official Mechanics Partner for the 2015 *Sky Ride Big Bike* series, spanning 15 events nationwide and supporting over 100,000 cyclists this summer. These free one-day events offer cyclists of all ages and abilities the chance to ride their bike on traffic-free streets or on cycle paths and parks in the heart of towns and cities across Britain. Halfords cycle mechanics will be a key part of the day, keeping cyclists on the move by assisting with essential adjustments, cabling and tube replacements.

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

Halfords Autocentres has had an apprenticeship scheme for over 20 years and currently has more than 200 apprentices employed in the business. Building on that success, Halfords Retail successfully piloted an apprenticeship scheme during the year and in February formally launched a programme to place 500 apprentices in stores over the first 12 months. Halfords goes above and beyond the usual apprenticeship model by offering a pre-apprenticeship training scheme, which equips candidates with four qualifications for those completing the three weeks intensive training: Halfords' Gear 1 level training, a Retail Level 1 certificate, an Employability & Personal Development Certificate, and Level 1 or 2 in Maths & English. The scheme is open to people who are not in education, employment or training and on completion of this training, candidates are interviewed and, if successful, offered apprenticeships.

Current Activity

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

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

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

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

And the best until last: on behalf of the Board, I would like to thank all colleagues for their fantastic contribution, support and commitment to the further progress and strong performance made in Halfords this year. I would also like to thank both Matt Davies, who left at the end of April, and Andrew Findlay, who leaves later this year. It has been a real pleasure working with both of them - their contribution to Halfords has been outstanding. Finally, I would like to welcome Jill McDonald, our new CEO, and we all look forward to working with her in the years ahead.

Dennis Millard
Chairman, 4 June 2015

CHIEF FINANCIAL OFFICER'S REPORT

Halfords Group plc ("the Group" or "Group")

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

Reportable Segments

Halfords Group operates through two reportable business segments:

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

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

Financial Results

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

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

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

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

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

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

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

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

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

Halfords Retail

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

Revenue for the Retail business of £857.9m reflected, on a constant-currency basis, a like-for-like (“LFL”) sales increase of 7.0%. Non-LFL stores, including 3 brand new Cycle Republic store openings, contributed £0.5m revenue in the year and third-party non-LFL sales from *Boardman Bikes* contributed £2.4m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Halfords Autocentres

	53 weeks Ended 3 April 2015 £m	**52 weeks Ended 27 March 2015 £m**	**52 weeks Ended 28 March 2014 £m**	**52 week change**
Revenue	150.3	147.0	136.6	+7.6%
Gross Profit	95.2	93.1	88.0	+5.8%
Gross Margin	63.4%	63.3%	64.4%	-109bps
Operating Costs	(91.1)	(89.3)	(83.7)	+6.7%
EBIT	**4.1**	**3.8**	**4.3**	**-11.6%**
EBITDA	**8.0**	**7.6**	**7.5**	**+1.3%**

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

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

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

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

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

Portfolio Management

The Retail store portfolio at 3 April 2015 comprised 467 stores (end of FY14: 465).

The following table outlines the changes in the Retail store portfolio over the 53 week period:

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

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

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

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

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

Net Non-Recurring expenses

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

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

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

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

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

Finance Expense

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

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

Taxation

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

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

Earnings Per Share ("EPS")

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

Dividend ("DPS")

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

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

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

Capital Expenditure

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

Within Retail, £18.5m (FY14: £13.9m) was invested in stores, including 45 store refreshes, 11 of which were also store relocations or right-sizes, as well as general capital spend relating to roofing, flooring and security. By the end of FY15, 72 stores were trading in a refreshed format in line with the *Stores Fit To Shop* initiative. Retail also launched the Cycle Republic brand, converting one existing store and opening 3 dedicated stores in the year. Additional investments in Retail infrastructure included an £8.7m investment in IT systems, such as continual development of the online Retail proposition, the new parts database trading as *Car Parts Direct*, the launch of a Halfords eBay shop, the relocation of data centres and a significant upgrade of the core SAP operating system.

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

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

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

Inventories

Group inventory held as at 3 April 2015 was £149.3m (FY14: £150.2m). Retail inventory decreased to £147.8m (FY14: £148.8m) and includes £1.1m held by *Boardman Bikes*. Autocentres' inventory was £1.5m (FY14: £1.4m). The Autocentres business model is such that only modest levels of inventory are held within the centres, with most parts being acquired on an as-needed basis.

Cashflow and Borrowings

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

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

Principal Risks and Uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Halfords' strategic corporate objectives. In the Annual Report & Accounts the Board sets out what it considers to be the principal commercial and financial risks to achieving the Group's objectives. The main areas of potential risk and uncertainty in the balance of the financial year are described in note 20 to the Annual Report and Accounts. These include:

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

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

Andrew Findlay
Chief Financial Officer, 4 June 2015

CONSOLIDATED INCOME STATEMENT

For the period		**53 weeks to 3 April 2015**			52 weeks to 28 March 2014		
		Before Non-recurring Items	**Non-recurring items (note 4)**	**Total**	Before Non-recurring Items	Non-recurring items (note 4)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue		**1,025.4**	**-**	**1,025.4**	939.7	-	939.7
Cost of sales		**(479.1)**	**-**	**(479.1)**	(435.5)	-	(435.5)
Gross profit		**546.3**	**-**	**546.3**	504.2	-	504.2
Operating expenses	2	**(458.7)**	**(0.3)**	**(459.0)**	(426.4)	(0.2)	(426.6)
Results from operating activities	3	**87.6**	**(0.3)**	**87.3**	77.8	(0.2)	77.6
Finance costs	5	**(3.6)**	**-**	**(3.6)**	(5.2)	-	(5.2)
Finance income	5	**0.1**	**-**	**0.1**	0.2	-	0.2
Net finance expense		**(3.5)**	**-**	**(3.5)**	(5.0)	-	(5.0)
Profit before income tax		**84.1**	**(0.3)**	**83.8**	72.8	(0.2)	72.6
Income tax expense	6	**(17.9)**	**(0.1)**	**(18.0)**	(17.0)	(0.1)	(17.1)
Profit for the financial period attributable to equity shareholders		**66.2**	**(0.4)**	**65.8**	55.8	(0.3)	55.5
Earnings per share							
Basic	8	**34.1p**		**33.8p**	28.8p		28.6p
Diluted	8	**33.5p**		**33.3p**	28.4p		28.2p

All results relate to continuing operations of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**53 weeks to 3 April 2015 £m**	52 weeks to 28 March 2014 £m
Profit for the period		**65.8**	55.5
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**7.9**	(3.0)
Transfers to inventory		**(1.4)**	1.1
Transfers to net profit:			
Cost of sales		**(3.4)**	(0.1)
Income tax on other comprehensive income	6	**(1.2)**	0.8
Other comprehensive income for the period, net of income tax		**1.9**	(1.2)
Total comprehensive income for the period attributable to equity shareholders		**67.7**	54.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Cash flows from operating activities			
Profit after tax for the period before non-recurring items		**66.2**	55.8
Non-recurring items		**(0.4)**	(0.3)
Profit after tax for the period		**65.8**	55.5
Depreciation - property, plant and equipment		**20.2**	18.0
Impairment charge		**0.7**	0.4
Amortisation - intangible assets		**5.5**	5.3
Loss on sale of property, plant and equipment		**1.7**	2.1
Net finance costs		**3.5**	5.0
Equity-settled share based payment transactions		**1.4**	1.0
Fair value gains and losses on derivative financial instruments		**(2.0)**	1.4
Income tax expense		**18.0**	17.1
Decrease/(increase) in inventories		**0.9**	(17.0)
(Increase)/decrease in trade and other receivables		**(3.0)**	1.0
Increase in trade and other payables		**27.2**	10.7
Increase in provisions		**0.5**	6.7
Finance income received		**0.1**	0.2
Finance costs paid		**(3.2)**	(4.6)
Income tax paid		**(17.1)**	(35.3)
Net cash from operating activities		**120.2**	67.5
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(14.0)**	-
Purchase of intangible assets		**(7.5)**	(5.3)
Purchase of property, plant and equipment		**(32.1)**	(21.4)
Net cash used in investing activities		**(53.6)**	(26.7)
Cash flows from financing activities			
Net proceeds from exercise of share options		**0.7**	2.1
Purchase of own shares		**-**	(3.2)
Proceeds from loans, net of transaction costs		**220.2**	305.7
Repayment of borrowings		**(254.0)**	(326.0)
Payment of finance lease liabilities		**(0.3)**	(0.3)
Dividends paid		**(28.4)**	(27.7)
Net cash used in financing activities		**(61.8)**	(49.4)
Net increase/(decrease) in cash and bank overdrafts		**4.8**	(8.6)
Cash and cash equivalents at the beginning of the period	9	**(4.7)**	3.9
Cash and cash equivalents at the end of the period		**0.1**	(4.7)

1. 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 and under the historical cost convention, except where adopted IFRSs require an alternative treatment. The principal variations relate to financial instruments (IAS 39 "Financial instruments: recognition and measurement") and share based payments (IFRS 2 "Share-based payment").

The financial statements are presented in millions of UK pounds, rounded to the nearest £0.1m.

The accounts of the Group are prepared for the period up to the Friday closest to 31 March each year. Consequently, the financial statements for the current period cover the 53 weeks to 3 April 2015, whilst the comparative period covered the 52 weeks to 28 March 2014.

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires the use of accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. These judgements and estimates are based on historical experience and management's best knowledge of the amounts, events or actions under review and the actual results may ultimately differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are, where necessary, disclosed separately.

2. Operating expenses

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

3. Operating profit

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

4. Non-recurring items

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

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

(b) A charge incurred in prior periods relating to stores where the present value of expected future cash-flows is deemed to be insufficient to cover the lower of cost of exit or value in use. The release in the current year is reflective of a finalised deal to exit one of these stores, the cost of which is less than the provision being maintained.

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

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

5. Finance income and costs

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

6. Taxation

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

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

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

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

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

The tax charge on profit for the financial period was £18.0m (2014: £17.1m), including a £0.1m charge (2014: £0.1m charge) in respect of tax on non-recurring items, as detailed in note 4.

An income tax charge of £1.2m (2014: £0.8m credit) on other comprehensive income relates to the movement in fair valuing forward currency contracts outstanding at the year end. No other items within other comprehensive income have a tax impact.

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

In this period, the Group's contribution to the UK Exchequer from both taxes paid and collected exceeded £149.0m (2014: £157.9m) with the main taxes including corporation tax £16.1m (2014: £35.4m), net VAT £53.1m (2014: 49.8m), PAYE £19.8m (2014: £17.1m), employees national insurance contributions £10.0m (2014: £8.8m), employers national insurance contributions £13.0m (2014: £11.2m) and business rates £37.0m (2014: £35.6m).

7. Dividends

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

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

8. 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 and has been adjusted for the issue/purchase of shares during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the 53 weeks to 3 April 2015.

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

For the period	53 weeks to 3 April 2015 Number of shares m	52 weeks to 28 March 2014 Number of shares m
Weighted average number of shares in issue	**199.1**	199.1
Less: shares held by the Employee Benefit Trust (weighted average)	**(4.9)**	(5.1)
Weighted average number of shares for calculating basic earnings per share	**194.2**	194.0
Weighted average number of dilutive shares	**3.2**	2.9
Total number of shares for calculating diluted earnings per share	**197.4**	196.9

For the period	53 weeks to 3 April 2015 £m	52 weeks to 28 March 2014 £m
Basic earnings attributable to equity shareholders	**65.8**	55.5
Non-recurring items (see note 4):		
Operating expenses	**0.3**	0.2
Tax on non-recurring items	**0.1**	0.1
Underlying earnings before non-recurring items	**66.2**	55.8

Earnings per share is calculated as follows:

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

9. Analysis of movements in the Group’s net debt in the period

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

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

Cash and cash equivalents at the period end consist of £22.4m (2014: £5.3m) of liquid assets and £22.3m (2014: £10.0m) of bank overdrafts.

10. Other information

The financial information set out above does not constitute the Company's statutory accounts for the 53 weeks ended 3 April 2015 or the 52 weeks ended 28 March 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2014 or 2015.

11. Acquisition of subsidiary

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

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

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

Goodwill

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

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

The goodwill arising on the acquisition of the Boardman business is attributable to a) operating synergies and increased control of operations, b) the value of immaterial other intangible assets and c) future income to be generated from new retail customer contracts and related relationships. None of the goodwill is expected to be deductible for income tax purposes.

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

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

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