Halfords Group plc
Preliminary Results: Financial Year 2017

Halfords Group plc, the UK's leading retailer of motoring, cycling and leisure products and a leading independent operator in garage servicing and auto repair, today announces its preliminary results for the 52 weeks to 31 March 2017 ("the financial year"). The audited comparative period represents the 52 weeks to 1 April 2016 ("the prior year"). All numbers shown in this statement are before non-recurring items, unless otherwise stated.

Group Financial Summary

	FY17 £m	FY16 £m	%	Like-for-Like Revenues ("LFL")*
Revenue	1,095.0	1,021.5	+7.2%	+2.7%
Retail	938.4	868.5	+8.0%	+3.1%
Autocentres	156.6	153.0	+2.4%	+0.6%
Gross Margin				
Retail	48.6%	51.2%	-260 bps	
Autocentres	65.1%	64.3%	+80 bps	
Underlying EBITDA*	108.7	114.6	-5.1%	
Underlying Profit Before Tax*	75.4	81.5	-7.5%	
Basic Underlying Earnings Per Share*	30.3p	33.2p	-8.7%	
Profit Before Tax, after non-recurring items	71.4	79.8	-10.5%	
Basic Earnings Per Share, after non-recurring items	28.7p	32.5p	-11.7%	
Net Debt: Underlying EBITDA ratio*	0.8x	0.4x		
Proposed Full-Year Ordinary Dividend Per Share	17.51p	17.00p	+3.0%	
Special Dividend Per Share – paid February 2017	10.00p	-		

** These alternative performance measures are defined in the glossary on page 3*

Revenue growth across all areas of business

- Group revenue +7.2%, reflecting strengthened services proposition, new product ranges, investments to modernise the business and the acquisition of Tredz/Wheelies
- Motoring LFL +2.0%, Cycling LFL +5.1% with share gains in both markets
- Service-related Retail sales +11.1%; online sales +30.5% (including Tredz/Wheelies)
- Autocentres revenue +2.4% with strong online booking performance +29.1%
- Tredz/Wheelies performed well with sales +22.0% year on year since acquisition

Robust cash generation and profit in line with market expectations

- Underlying Profit Before Tax of £75.4m, down £6.1m year-on-year
- Increase in cost of goods sold due to change in GBP/USD rate of £14m (pre-mitigation)
- Free Cash Flow of £37.7m
- Net debt at £85.9m, 0.8 times Net Debt to EBITDA, after spend of c.£22m on acquisitions and c.£53m on ordinary and special dividends

Strong strategic progress

- Now over 30 in-store Retail services offered across Motoring and Cycling
- 46% of all Retail sales matched to customers, up from 3% in November 2015
- Evolved Retail store concept performing well with rollout plan for around 30 stores in FY18
- In-store and online benefits delivered from single view of stock and new labour scheduling system
- New product ranges and propositions, including high demand for E-bikes and partnerships with British Touring Car Championship ("BTCC"), Sir Bradley Wiggins and Orla Kiely
- In Autocentres, good progress on customer and colleague metrics but review of operating model to improve profitability

Outlook

Underlying business performance is strong and there is good momentum in delivering our strategic priorities. Currency movements will impact profits, but our mitigation plans are well developed and progress to date is encouraging. We anticipate FY18 profit to be in line with current market expectations and remain confident in the outlook for the Group.

Jill McDonald, Chief Executive, commented:

"I am pleased with the performance this year, with sales growth across all areas of our business and market share gains in both Motoring and Cycling. Profit performance for the year was impacted by the weaker Pound but our plans are well developed and I am confident this will be offset over time. We have made great progress with our '*Moving Up A Gear'* strategy, with increased customer insight and sustained growth in service-related sales being particular highlights."

Commenting on Jill's departure later in the year, Dennis Millard, Chairman, added:

"We are grateful for the positive contribution Jill has made across the business and she will leave Halfords with a strong team in place and a clear direction to drive future growth. Our priorities remain unchanged, including consolidating our service and services credentials, continuing to invest in our colleagues, and further investment in our shops and online platforms."

Performance across the year

Given that the 11 weeks to 31 March 2017 did not have the benefit of an Easter weekend's trading, whereas the comparative period did, the table below includes a more representative comparison of the underlying trading performance for the year and in the last 15 weeks to 28 April 2017, which includes Easter in both years. In this period, the Retail LFL was +3.9%. This compares with a Retail LFL of -1.2% for the 11 weeks ended 31 March 2017, which didn't have the benefit from the Easter period.

	26 weeks ended 30 September 2016 % change	**15 weeks ended 13 January 2017 % change**	**11 weeks ended 31 March 2017 % change**	**Full year FY17 % change**	**15 weeks ended 28 April 2017 % change**	**52 weeks ended 28 April 2017 % change**
TOTAL REVENUE						
Halfords Group	**+6.3**	**+11.4**	**+3.5**	**+7.2**	**+8.0**	**+8.4**
Retail	+6.8	+13.1	+4.0	+8.0	+9.9	+9.7
Autocentres	+3.6	+1.1	+1.4	+2.4	-0.6	+1.1
LFL REVENUE						
Halfords Group	**+2.2**	**+5.9**	**-0.8**	**+2.7**	**+3.1**	**+4.0**
Retail	+2.4	+7.0	-1.2	+3.1	+3.9	+4.8
Motoring	+1.1	+6.8	-2.5	+2.0	+0.9	+2.8
Car Maintenance	+1.8	+8.4	-1.7	+3.1	+0.2	+3.3
Car Enhancement	-3.5	+0.6	-6.1	-2.8	-1.8	-2.0
Travel Solutions	+7.0	+15.4	+2.1	+7.9	+9.5	+10.5
Cycling	+4.6	+7.4	+2.2	+5.1	+11.1	+8.5
Autocentres	+0.9	-0.6	+0.9	+0.6	-1.2	-0.4

Enquiries

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Financial Guidance reference

For ease of navigation, the following lists the references to financial guidance contained in this statement:

Description	Page reference
FY18 Group outlook	Page 10
FY18 Group capital expenditure	Page 16
FY18 Group depreciation and amortisation	Page 16
FY18 Group tax rate	Page 15
FY18 Autocentres LFL revenues	Page 14
FX impact	Page 17
Medium-term financial targets	Page 17

Results Presentation

A presentation for analysts and investors will be held on 25 May 2017 starting at 10.00am 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.

Reporting Calendar

On 5 September 2017 we will report on the sales for the 20 weeks to 18 August 2017. On 9 November 2017 we will report on the interim results for the 26 weeks ending 29 September 2017.

Glossary of Alternative Performance Measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"), previously termed as 'Non GAAP measures'. APMs should be considered in addition to IFRS measurements, of which some are shown on Page 1. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

1. Like-for-like ("LFL") sales represent revenues from stores, centres and websites that have been trading for at least a year (but excluding prior year sales of stores and centres closed during the year) at constant foreign exchange rates.
2. Underlying EBIT is results from operating activities before non-recurring items. Underlying EBITDA further removes Depreciation and Amortisation.
3. Underlying Profit Before Tax is Profit before income tax and non-recurring items as shown in the Group Income Statement.
4. Underlying Earnings Per Share is Underlying Profit Before Tax (as defined above) divided by the number of shares in issue.
5. Net Debt is current and non-current borrowings less cash and cash equivalents, both in-hand and at bank, as shown in the Consolidated Statement of Financial Position.
6. Net Debt to Underlying EBITDA ratio is represented by the ratio of Net Debt to Underlying EBITDA (both of which are defined above).
7. Operating Cash Flow is defined as EBITDA plus share based payment transactions and loss on disposal of property, plant and equipment, less working capital movements and movement in provisions.
8. Free Cash Flow is defined as Operating Cash Flow (as defined above) less capital expenditure, net finance costs, taxation and fair value gain on derivatives.

Notes to Editors

www.halfords.com
www.cyclerepublic.com
www.wheelies.co.uk
www.halfordscompany.com
www.boardmanbikes.com
www.halfordsautocentres.com
www.tredz.co.uk

Halfords is the UK's leading retailer of motoring, cycling and leisure products and, through Halfords Autocentres, is also one of the UK's leading independent operators in vehicle servicing, maintenance and repairs. Customers shop at 460* Halfords stores and 15* Cycle Republic shops in the UK and Republic of Ireland and at halfords.com and cyclerepublic.com for pick-up at their local store or direct home delivery. Halfords Autocentres operates from 313* sites nationally and offers motorists high-quality MOTs, repairs and car servicing at affordable prices. Customers can also shop at three Tredz stores and a Giant store in South Wales as well as online at tredz.co.uk and wheelies.co.uk for cycling products and direct home delivery.

Halfords employs approximately 10,000 colleagues and sells around 9,000 product lines in its Retail stores, increasing to around 165,000 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' key own cycling brands in-stores include *Apollo, Carrera*, *Boardman, Pendleton and Wiggins,* augmented by a range of other brands of cycles and accessories, including *Mongoose* and *Raleigh* and, through Tredz, a wide range of premium brands including *Giant*, *Specialized*, *Cannondale*, *Cube* and *Scott*. In Motoring, the *Halfords Essentials* and *Halfords Advanced* ranges are sold alongside brands such as *General Electric*, *Bosch*, *Garmin*, *TomTom*, *Karcher*, *Thule* and *Autoglym*. Halfords offers more than 30 in-store services including 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.

** as at 31 March 2017*

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.

Chief Executive's Statement

Summary of Group Results

Revenue of £1,095.0m was up 7.2%, with like-for-like ("LFL") growth of 2.7%. Gross margin of 51.0% was 220 basis points lower than the prior year, predominantly due to the impact of the movement in foreign currency exchange rates. Total operating costs before non-recurring items rose by 5.0% reflecting planned investments for the *Moving Up A Gear* strategy and the first-time inclusion of the operating expenditure in respect of the acquired Tredz and Wheelies businesses.

The increase in cost of goods associated with the depreciation in Sterling had an adverse impact of c. £14m (pre-mitigation) which more than accounted for the decline in profit for the year. Underlying EBITDA was down 5.1% to £108.7m. Underlying EBIT was £77.1m, which compares with £84.5m in the prior year. Underlying Profit Before Tax was £75.4m and Underlying Basic Earnings Per Share was 30.3p, down 7.5% and 8.7% respectively. Profit after tax for the year was £56.4m (FY16: £63.5m).

Cash generation remained strong, with Free Cash Flow of £37.7m. Net Debt at the end of the year was up £38.0m at £85.9m, with a Net Debt to Underlying EBITDA ratio of 0.8:1 versus 0.4:1 in the prior year. The increase is consistent with our previously stated intention to move towards a debt target of 1.0x and reflects our acquisition of Tredz and Wheelies in May 2016 for an initial cash consideration of £18.0m, the £4.1m investment made in Tyres on the Drive Limited ("TOTD") in January 2017 (with a further c.£4m to follow in FY18) and the c.£20m special dividend paid in February 2017.

The Board has recommended a final ordinary dividend of 11.68 pence per share (FY16: 11.34 pence) which, if approved, would take the full-year ordinary dividend to 17.51 pence per share, an increase of 3.0% on the prior year. Including the special dividend of 10 pence per share paid in February 2017, the full-year dividend per share was 27.51 pence, an increase of 61.8% on the prior year. If approved, the final dividend will be paid on 25th August 2017 to shareholders on the register at the close of business on 4th August 2017.

Market Update

Halfords principally operates in two broad markets: motoring and cycling. These markets are growing and we continued to grow share within them in the year. Around 70% of Group sales are generated from products and services that are principally motoring related with the remaining c. 30% coming from cycling.

Cars are becoming more complex and customers increasingly need support for small as well as large maintenance jobs. We continue to see an on-going trend from 'do it yourself' to 'do it for me', which plays strongly to our service and services proposition. Our own market research indicates that 80% of Halfords Retail customers want advice or service with their purchase. We have also found that 75% of UK consumers have low or medium expertise in car DIY and are more inclined to pay for someone else to do it for them. As the car parc grows, we continue to invest in training and equipment to ensure that we remain at the forefront of technological changes, such as the ability to replace stop-start batteries on-demand or to service electric and hybrid vehicles.

The cycling market is highly fragmented; there are over 2,500 bike shops in the UK, the majority of which are independents. The changing marketplace and growth in online is making it increasingly difficult for these independents to be competitive. Our research has identified that the number of bike shops has declined by nearly 10% over the last year.

As evidenced by the differing performance in the early and late summer periods this financial year, the weather will continue to have an impact on the timing of customer purchases in the short term, but the overall trends are positive. These include:

- Participation levels (particularly amongst females) in the UK remain much lower than in many other European countries;
- The health and wellbeing benefits associated with cycling;
- Government infrastructure investment in London and other UK cities;

- The growing e-bike segment, making cycling more accessible to commuters and older generations; and
- Existing participants in the cycling market spending more as they increase the amount they use their bikes.

The depreciation in Sterling could result in more UK consumers choosing to holiday in the UK, the so-called "staycation". After the last significant Sterling depreciation in 2009, the Office for National Statistics reported a rise in staycations. We are well placed to harness this trend with our leading product and service offering across cycling, roof boxes, child car seats, camping and motoring in general. We have already observed early signs of this trend in 2017.

Going forward we anticipate the motoring and cycling markets in which we operate to continue to grow at an average rate of 2-3% per annum and 3-5% per annum respectively over the medium-term and we continue to aim to better those growth rates through our growing service and services proposition.

Retail Operational Review

Halfords Retail achieved a strong year of sales performance, with revenue up 8.0% to £938.4m. LFL growth of 3.1% reflected Motoring LFL of 2.0% and Cycling LFL of 5.1%. Our service-related sales grew by 11.1% as we continued to consolidate our specialist, service-led retail proposition. The LFL sales growth is principally attributable to our growing service and services proposition, new products and ranges, better trained and engaged colleagues and investments made to modernise the business as part of the *Moving Up A Gear* strategy.

Within Motoring, Car Maintenance revenues increased by 3.1% on a LFL basis, driven by good growth in sales of car parts and the fitting and sale of bulbs, blades and batteries ("3Bs"). Metal storage and hand tools performed very strongly, particularly the increasingly popular *Halfords Advanced* range to which we added new products in the year. We were disappointed with the 2.8% decline in Car Enhancement LFL revenue, which was driven by the continued decline in the sat nav market. Partially offsetting this was strong growth in dash cams, in-car connectivity equipment and car cleaning products. Excluding satnavs, Car Enhancement LFL was up 3.7% and sat navs now represent only 3% of Group sales. Travel Solutions LFL revenues increased 7.9%, driven by robust growth in roof bars and boxes, cycle carriers and child seats; all of which benefit from our market-leading positions and friendly, highly-trained fitters.

Cycling sales improved by 5.1% on a LFL basis and 18.2% on a total sales basis. We took a significant step forward in consolidating the Group's market-leading position, growing market share on a like for like basis as well as continuing to grow the Cycle Republic chain, which grew over 20% like-for-like in the year. Tredz and Wheelies also performed strongly in the year, with revenue growing over 20%.

The like-for-like growth in Retail was driven by strong performances across each of the sub-categories of bikes, Parts, Accessories and Clothing ("PACs") and repair. PACs sales returned to growth for the first time in two years due to stronger attachment sales, new products and a more disciplined approach to ranging, using our improving customer insight to introduce a "good, better, best" hierarchy. Bike sales were supported by the relaunch of our mainstream, award winning ranges (Carrera and Apollo) as well as the launch of the new, exclusive Wiggins range, and growing demand for electric bikes. Our credentials in kids' bikes were validated by the public accreditation from Netmums during the year, and Boardman won a host of industry awards including the prestigious "BikeBiz" bike brand of the year.

Tredz/Wheelies performed strongly since acquisition and we were also very pleased with the Cycle Republic performance, now trading from 15 shops and online. We now have a unique balance in our offering, able to serve the lifestyle consumers through our Halfords stores and website, the growing commuter population through Cycle Republic and the enthusiast & elite segments through both Tredz and Boardman Elite.

Service-related sales increased by 11.1%, driven in particular by cycle repair and elements of motoring fitting, such as 3B's and roof boxes. Although currently a small part of the mix, our new "2Bs" (bulbs and batteries) fitting for motorbikes and windscreen chip repair for cars were contributors to growth. Our service capability continues to be a key focus for us, with the Gears training programme providing depth and breadth of experience for colleagues, supporting our ability to establish Halfords as a differentiated, service-led specialist retailer.

Online Retail revenue grew by 30.5% in total and 6.3% LFL. The importance of our store network and service overlay continued to be highlighted by the strength of Click & Collect, with around 85% of Halfords Retail online orders picked up in store. This high proportion of click and collect continues to differentiate us from other retailers, as our online business, instead of cannibalising our bricks and mortar operation, drives footfall into our stores, with over 80% of customers wanting advice or fitting service with their purchase.

We enter the new financial year with good momentum. We have today published trading performance for the 15 weeks to the end of April 2017, which includes the 11 weeks to the end of the financial year and the first 4 weeks of the new year. We consider this period to be more representative of performance because it includes Easter in both the current year and the comparatives. Revenue for this 15-week period was up 3.9% on a LFL basis, comprising Motoring +0.9% and Cycling +11.1%.

Retail Strategic Progress

Our goal is to be customers' first choice for their 'life on the move', which we aim to achieve through a strategy based on the following five pillars, with progress highlighted below:

1. *Putting Customers in the Driving Seat*: investing in customer data and insight capabilities to maximise the lifetime customer value

We have been rapidly improving our customer data knowledge and capability, gathering 5.3m email addresses within our Retail stores over the last 18 months and implementing the first phase of our single customer view project during FY17. We can now match 46% of Retail sales to customers, up from 3% as of November 2015, and across the Group we can now match 59% of sales to customers.

Investment in customer data has allowed us to move from generic email marketing to a more personalised approach. As a result of these more-personalised initiatives we have seen email traffic in FY17 up 49%, an incremental 1.2m visits to the website and a 19% increase in sales attributed to email campaigns.

We launched our new brand positioning in June 2016, under the strapline of Halfords – For Life's Journeys. The new multi-channel campaign is helping to drive a clearer understanding of Halfords' offer, particularly amongst younger customers.

2. *Service in our DNA:* embedding the focus on customer service

We now have a menu of over 30 in-store services across motoring and cycling, which are key to our uniqueness as a service-led, specialist retailer, driving our distinct competitive advantage. We introduced two new motoring services in the year: windscreen chip repair and motorcycle bulb and battery fitting which are both growing strongly. We also introduced new services in cycling, such as bike sizing using 'Smartfit' technology in our recently refreshed concept stores, as well as slime puncture proofing. We will be launching more in-store services across both motoring and cycling in the months ahead.

We remain focused on growing the important metric of service-related sales, which we aim to grow faster than overall sales. In FY17 we achieved LFL growth of 11.1%. We completed nearly 5 million fitting services during the year, which equates to over 10,000 services per Retail store. There remains an opportunity to grow our service-related sales through increasing customer awareness of our services, as well as harnessing the trend away from 'do it yourself' to 'do it for me'.

We remain committed to the 3-Gears training programme and during the year we reached target proportions of colleagues at each "Gear". Our Retail apprenticeship scheme remains popular and we have now placed over 40 trainees into permanent roles across our stores. We continued to build our store management pipeline through our Aspire programme; in FY17 we filled 48% of store management vacancies internally. Colleague turnover has further improved during the year to record lows and is now circa 33% which will deliver long term benefits for the business. We were also pleased to once again be included within the Sunday Times Best Big Companies to Work For list, moving up to 13th place from 18th place last year.

3. *Building on our Uniqueness:* exclusive products, relevant innovation and unique partnerships

Exclusive products, relevant innovation and unique partnerships all strengthen our clear differentiation as a retailer. A few examples of new initiatives and products include:

- the launch of a new range of mainstream adult Carrera and Apollo bikes, alongside a new and exclusive Wiggins range of bikes and Orla Kiely camping and travel accessories range;
- development of our capability as a market-leading fitter of dash cams, differentiating us from online or generalist retailers, and our expanded range of motorcycling parts and accessories; and
- the launch of our "safer seat" campaign helping customers to fit child car seats with greater peace of mind.

Tradecard sales grew 14.6% in the year, supported by an enhanced central support team and from the enabling of cards to be used online for the first time.

Looking ahead to FY18 we have recently enhanced our range of e-bikes, a fast-growing segment of the cycling market, with an increased range of new own-brand e-bikes which have been rolled-out to almost all Retail stores since the start of April 2017. In motoring we will be launching new own-brand products and in-store services in FY18, including the introduction of an ad-blue top-up service and car key fob repair.

4. *Better Shopping Experience:* a seamless customer experience, online as well as in store

During the year we evolved our Retail store refresh concept, opening the first of these in Derby in November 2016 and subsequently opening four more by the end of the financial year. The previous store programme had been successful, delivering good sales uplifts. However, we have updated the concept to reflect the *Moving Up A Gear* strategy and to incorporate advances in customer insight and technological capability. The differences to the previous store refresh format include: enhancements to reflect our growing service proposition, including customer waiting areas with coffee machines, technological improvements, digital imaging bike fitting, colleague headsets and easier customer navigation.

Early signs are encouraging, both in terms of customer response and sales uplifts; the latter running at higher levels than achieved in the early days of the previous store refresh iteration. We will continually evolve the concept, learning as we go and will also launch a "light" version, designed to bring some of the principles to stores that do not financially justify a full refresh. In total we anticipate refreshing around 30 stores in FY18.

During the year we also implemented a more agile approach to web development, whereby we complemented the core digital team at our Support Centre in Redditch with a separate web development team in central London. This enabled us to accelerate the improvement of our websites during the year. We deployed code changes five times more frequently than in the prior year. One example of this was the redevelopment of our mobile check-out process to provide a more seamless customer journey. Mobile traffic was up 30% in the year and one in three online orders were made using a mobile device this year, compared to one in four last year.

By the year-end, Cycle Republic reached 15 stores and represented circa 1% of Group revenue. We opened 5 new stores during the year in Purley, Birmingham, Leeds, Southampton and Edinburgh. We are encouraged by the progress, with strong double-digit LFL sales growth and a successful launch of the transactional website in August 2016. Building on this success we will continue to roll out more stores and further develop the online presence. We anticipate opening around 5 stores in FY18.

5. *Fit for the Future Infrastructure:* moving from fixing the basics to improving efficiency and fulfillment

After a number of changes in the previous two years in our supply chain infrastructure, this year has been much more stable. Leveraging these firm foundations we took the opportunity to consolidate of a number of external storage units into a third distribution centre in Daventry, adding to our existing centres in Coventry and Redditch. This change was broadly cost neutral but is more flexible and enables swifter replenishment of stores.

During the year we also joined up our stock systems, giving us a single view of stock for the first time. This enables better fulfilment of online purchases and improved availability in stores.

After a successful pilot we implemented Dayforce (our colleague resource planning system) in March 2017, removing eleven systems and replacing them with one tool that we now use across the Group, enabling colleagues to view and change shifts online, and better optimisation of scheduling of resource.

We continue to develop the i-Serve project to replace our till hardware and software. This is a major piece of IT change spanning stores and centres. We are in pilot stage, including testing the mobile tablets and we anticipate rolling out to stores and centres towards the end of FY18.

We remain focused on our successful *We Operate For Less* programme, delivering Retail efficiency improvements.

Autocentres

Autocentres revenues were up 2.4% and, on a LFL basis, up 0.6%. Online sales were strong, with web booking revenues up 29.1%. Consistent with our strategic priorities of 'service in our DNA' and 'putting customers in the driving seat', it has been a year of long-term investment in colleagues and creating an improved offer to customers.

To benefit colleagues, we have introduced a new technician pay grading system this year, to reward both teamwork and training. We also continued to invest in training and development, with 86 apprentices taken on in the year demonstrating our commitment to developing young talent and helping our colleagues learn long-lasting skills. We now have 4 training centres open to develop our MOT and hybrid testers. During the year our colleague turnover reached the lowest that it has been for almost 3 years, reflecting these investments as well as the operational changes we introduced.

To benefit customers, we have introduced Sunday and Bank Holiday opening and are also committed to training one technician in every centre in electric and hybrid car maintenance by April next year. We are well underway on this journey. In addition, 16 centres were refreshed during the year and these refreshes included customer service pods, TV screens, Wi-Fi, coffee and large viewing windows. They resonated well with customers, enhancing the shopping experience.

These operational changes were made for long-term benefit, but have been disruptive in the short-term and despite many positive developments we were dissatisfied with the financial results for the year. Accordingly, we are taking a number of actions including a review of the operating model. We see a presence in the car servicing and repair market as important for the Group in order to have a comprehensive suite of services for the "second life of the car". We also see a good growth opportunity; we currently only have around a 1.5% share of a highly fragmented c.£9bn market. We will report our conclusions in due course.

M&A activity

During the year we expanded the Group's capabilities in motoring and cycling with two modest, highly complementary investments.

In May 2016 we acquired Tredz and Wheelies for an initial £18.0m, with a further c.£5m to be paid in the first half of FY18. Tredz is a UK-wide online retailer of premium bikes and PACs and Wheelies is the UK's largest provider of bicycle replacement for insurance companies. This acquisition extends our presence in the online market for premium bikes, parts, accessories and clothing, and together with our rollout of Cycle Republic means we now address all major segments of the cycling market.

In January 2017 we entered into an operating agreement, accompanied by the acquisition of a minority stake, with TyresOnTheDrive.com ("TOTD"), a UK mobile tyre fitting business, to develop opportunities to leverage each other's capability and expertise. We see a number of sales and cost synergies as well as the opportunity for Halfords to trial an innovative mobile delivery proposition for motoring services, which fits squarely with our focus on improving our service and convenience credentials.

We continue to investigate similar opportunities to expand our capabilities and strengthen our positions in our core markets.

Financial targets and capital allocation priorities

We continue to apply our four key financial targets:

- Grow sales faster than the markets in which we operate;
- Hold group EBITDA margin broadly flat over the next few years (excluding the impact of FX);
- Grow the ordinary dividend every year with a dividend coverage of 2 times on average over time (excluding the impact of FX); and
- Net debt target of 1x Underlying EBITDA with a range of up to 1.5x.

In the CFO review we explain these targets in more detail and appraise our performance against them.

During the year we made progress towards our debt target, moving from 0.4x to 0.8x through consistent application of our clear capital allocation priorities. Central to our capital allocation policy is to maintain a strong and prudent balance sheet, and we will use our debt target as a guide for that. Our priorities for use of cash will continue to be: firstly, capital investment to grow the business in line with previous guidance; secondly, to pay and grow the ordinary dividend every year; thirdly, for any appropriate M&A opportunities which may arise; and thereafter, any excess cash would be available for additional distribution to shareholders.

Summary and Outlook

We are pleased with the sales performance in the last financial year, with growth across all areas of our business and market share gains in both Motoring and Cycling. Our focus on, and investment in, services was reflected in the significant growth of service-related sales. We are also pleased with the momentum building as we implement our *Moving Up A Gear* strategy. There is demonstrable progress across each of the five pillars of the plan and plenty more to come. Whilst the currency movements have impacted on reported earnings, the underlying business performance was strong.

Our priorities for the financial year we are now in will include further improving and utilising our customer data, consolidating our service and services credentials, continuing to invest in our colleagues, further investment in our online platforms and rolling out our successful new store refresh concept.

We enter a challenging period from a macroeconomic perspective, with uncertainty over consumer spending and Sterling depreciation bringing input cost headwinds. However, we approach this on the front foot and from a position of strength as we have leading positions in fragmented markets and offer a customer driven, service-led proposition that differentiates us from competitors, both physical and online.

Our FX headwind mitigation plans are well developed and gaining traction. We are seeing the benefits of good strategic progress on performance and have not so far observed any noticeable adverse impact of a change in consumer sentiment on our trading. Taking these factors into account we anticipate FY18 profit to be in line with current market expectations.

I would like to thank all colleagues for their fantastic contribution, support and commitment to Halfords. Our customer-centric, service-led strategy has real traction and I have every confidence in the team to drive the Moving Up A Gear strategy to the next level so that we continue to deliver further progress across the Group.

Jill McDonald
Chief Executive, 24 May 2017

CHIEF FINANCIAL OFFICER'S REVIEW

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

Reportable Segments

Halfords Group operates through two reportable business segments:

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

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

The FY17 accounting period represents trading for the 52 weeks to 31 March 2017 ("the financial year"). The comparative period FY16 represents trading for the 52 weeks to 1 April 2016 ("the prior year").

Group Financial Results

	52 weeks Ended 31 March 2017 £m	52 weeks Ended 1 April 2016 £m	52 week change
Revenue	**1,095.0**	1,021.5	+7.2%
Gross Profit	**558.6**	543.1	+2.9%
Underlying EBIT*	**77.1**	84.5	-8.8%
Underlying EBITDA*	**108.7**	114.6	-5.1%
Net Finance Costs, before non-recurring items	**(1.7)**	(3.0)	
Underlying Profit Before Tax*	**75.4**	81.5	**-7.5%**
Profit Before Tax, after non-recurring items	**71.4**	79.8	-10.5%
Underlying Basic Earnings per Share*	**30.3p**	33.2p	-8.7%

** Definitions to these Alternative Performance Measures are shown on page 3.*

Group revenue in FY17, at £1,095.0m, was up 7.2% and comprised Retail revenue of £938.4m and Autocentres revenue of £156.6m. This compared to FY16 Group revenue of £1,021.5m, which comprised Retail revenue of £868.5m and Autocentres revenue of £153.0m. Group gross profit at £558.6m (FY16: £543.1m) represented 51.0% of Group revenue (FY16: 53.2%), reflecting a decrease in the Retail gross margin of 260 basis points ("bps") to 48.6% partially offset by an increase in the Autocentres gross margin of 80 bps to 65.1%.

Total Operating Costs before non-recurring items increased to £481.5m (FY16: £458.6m) of which Retail represented £379.8m (FY16: £363.0m), Autocentres £99.8m (FY16: £94.5m) and unallocated costs £1.9m (FY16: £1.1m). Unallocated costs represent amortisation charges in respect of intangible assets acquired through business combinations, namely the acquisition of Autocentres in February 2010, Boardman Bikes in June 2014 and Tredz and Wheelies in May 2016, which arise on consolidation of the Group.

Group Underlying EBITDA decreased 5.1% to £108.7m (FY16: £114.6m), whilst net finance costs before non-recurring items were £1.7m (FY16: £3.0m). Group Underlying EBITDA margin, one of our financial targets, was 9.9% (FY16: 11.2%).

Underlying Profit Before Tax for the year was down 7.5% at £75.4m (FY16: £81.5m). Non-recurring items of £4.0m (FY16: £1.7m) across Retail and Autocentres related primarily to costs associated with the acquisition of

Tredz and Wheelies and investment in TyresOnTheDrive.com, the settlement of a historic legal case and organisational restructure costs. After non-recurring items, Profit Before Tax in the year was £71.4m (FY16: £79.8m).

Retail

	52 Weeks Ended 31 March 2017 £m	**52 Weeks Ended 1 April 2016 £m**	**52 week change**
Revenue	938.4	868.5	+8.0%
Gross Profit	456.6	444.8	+2.7%
Gross Margin	48.6%	51.2%	-260bps
Operating Costs	(379.8)	(363.0)	+4.6%
Underlying EBIT*	**76.8**	**81.8**	**-6.1%**
Non-recurring items	(3.1)	(1.2)	
EBIT after non-recurring items	73.7	80.6	-8.6%
Underlying EBITDA*	**101.1**	**106.0**	**-4.6%**

** Definitions to these Alternative Performance Measures are shown on page 3.*

Revenue for the Retail business of £938.4m reflected a like-for-like ("LFL") sales increase of 3.1%. Non-LFL sales, including five new Cycle Republic store openings since the prior year, and the acquired Tredz and Wheelies businesses contributed £53.3m revenue in the year.

Motoring sales represented 62.0% of Retail sales and LFL grew by 2.0%. Car Maintenance LFL revenues increased by 3.1%, reflecting strong growth in the sale and fitting of bulbs, blades and batteries ("3Bs") and good growth in workshop products, particularly the increasingly popular *Halfords Advanced* range to which we added new products during the year. Our new motorcycling parts and accessories ranges also performed well.

Car Enhancement LFL revenues declined by 2.8% reflecting the continued decline in the market for sat navs. This was partially offset by excellent growth in dash cams, with our range authority and increasingly popular fitting service consolidating our market-leading position in this category.

Car cleaning also performed well, supported by new product ranges such as Christmas gift packs. Travel Solutions LFL revenues increased 7.9% LFL, driven by strong growth in roof bars, roof boxes, cycle carriers and child car seats.

Cycling sales grew by 5.1% on a like-for-like basis and 18.2% in total after including new Cycle Republic stores and the acquisition of Tredz and Wheelies. The like-for-like growth was driven by strong performances across each of the sub-categories of bikes, Parts, Accessories and Clothing ("PACs") and repair.

Bike sales were supported by the relaunch of our Apollo and Carrera mainstream cycle ranges and the launch of the exclusive Wiggins range, as well as the cycling promotion and favourable weather in the peak summer period. Cycle Republic sales grew by strong double-digit LFL and we opened 5 new stores.

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

	52 weeks Ended 31 March 2017 (% proportion)	**52 weeks Ended 1 April 2016 (% proportion)**	**52 weeks Ended 31 March 2017 LFL revenue (% change)**
Cycling	**38.0**	**34.3**	**+5.1**
Motoring	**62.0**	**65.7**	**+2.0**
Car Maintenance	*31.4*	*32.9*	*+3.1*
Car Enhancement	*19.0*	*21.6*	*-2.8*
Travel Solutions	*11.6*	*11.2*	*+7.9*
Total	**100.0**	**100.0**	**+3.1**

Gross profit for the Retail business at £456.6m (FY16: £444.8m) represented 48.6% of sales, 260 bps down on the prior year (FY16: 51.2%). This movement is explained as follows:

- Circa 80 bps decline from the inclusion of Tredz and Wheelies, which operate in the lower-margin-percentage but higher average selling price category of premium cycling;
- Circa 150 bps from the gross impact of the depreciation of Sterling against the US Dollar; and
- Circa 30 bps decline from the adverse mix impact of faster cycling sales growth and the cycling promotion in the first half, partially offset by the favourable mix impact from service-related sales and the FX mitigation measures, which started to take effect towards the end of the year.

Operating Costs before non-recurring items were £379.8m (FY16: £363.0m) and, improved as a percentage of Retail sales from 41.8% in FY16 to 40.5% in FY17. The breakdown of costs is set out below:

	52 weeks Ended 31 March 2017 £m	**52 weeks Ended 1 April 2016 £m**	**Change**
Store Staffing	110.2	103.0	+7.0%
Store Occupancy	138.6	138.3	+0.2%
Warehouse & Distribution	45.4	45.7	-0.7%
Support Costs	77.4	76.0	+1.8%
Total Operating Costs before Tredz and Wheelies and non-recurring items	**371.6**	**363.0**	**+2.4%**
Tredz & Wheelies Costs	8.2	-	-
Total Operating Costs before non-recurring items	**379.8**	**363.0**	**+4.6%**

Store Staffing costs increased by 7.0% and reflected the changes in pay rates, principally driven by the uplift from the National Living Wage and Gears pay increments, together with the increase in trading volumes leading to incremental investment in store hours. The opening of 5 Cycle Republic stores also contributed to the increase.

Store Occupancy costs increased by 0.2%, reflecting broadly flat rent and rates costs on the existing estate with incremental costs arising from new Cycle Republic stores.

Warehouse & Distribution costs decreased by 0.7%, driven by cost savings in the first half when the more efficient 3-day-a-week delivery-to-store schedule annualised against the 5-day-a-week model operating at the start of the previous year.

Support Costs increased by 1.8% due to higher depreciation charges on non-store-related capital expenditure and a modestly increased marketing spend.

Tredz and Wheelies added £8.2m of operating costs since acquisition. Going forwards these costs will be allocated to the cost categories presented in the table above.

Autocentres

	52 Weeks Ended 31 March 2017 £m	52 Weeks Ended 1 April 2016 £m	52 week change
Revenue	156.6	153.0	+2.4%
Gross Profit	102.0	98.3	+3.8%
Gross Margin	65.1%	64.3%	+80bps
Operating Costs	(99.8)	(94.5)	+5.6%
Underlying EBIT*	**2.2**	**3.8**	**-42.1%**
Non-recurring items	(0.3)	(0.5)	
EBIT after non-recurring items	1.9	3.3	-42.4%
Underlying EBITDA*	**7.6**	**8.6**	**-11.6%**

** Definitions to these Alternative Performance Measures are shown on page 3.*

Autocentres generated total revenues of £156.6m (FY16: £153.0m), an increase of 2.4% on the prior year with a LFL revenue increase of 0.6%. Online-booking revenues grew 29.1% in the year. Gross profit at £102.0m (FY16: £98.3m) represented a gross margin of 65.1%; an increase of 80 bps on the prior year, reflecting improved margins across Service, MOT, repair and tyres.

Autocentres' underlying EBITDA of £7.6m was 11.6% lower than FY16 (FY16: £8.6m), with the upside in gross profit offset by continued cost investments as part of the long-term growth plans. Underlying EBIT was £2.2m (FY16: £3.8m). As referred to in the CEO Statement, we are dissatisfied with the financial results for the year and are taking a number of actions to improve performance.

As part of pre-existing strategic plans we have taken the decision to cease participation in a tyre affiliate programme, having determined that it was generating insufficient net profit for the workload capacity that it consumed in our centres. We anticipate the impact of this to result in a decline in LFL sales in FY18, accompanied with an improvement in gross margin percent, such that there is a net profit benefit year-on-year from this initiative.

Portfolio Management

The Retail store portfolio at 31 March 2017 comprised 479 stores (end of FY16: 472). The following table outlines the changes in the Retail store portfolio over the year:

	Number	Stores
Relocations	7	Aylesbury, Warrington, Crewe, Chichester, Hull Clough Road, Derby (Kingsway), Sutton Coldfield
Lease re-gears	29	Brentwood, Newcastle-under-Lyme, Erdington, Merry Hill, Pontefract, Carmarthen, Sunbury, Burgess Hill, Harrow, North Shields, Yate, Salisbury, Braehead, Sutton, West Wickham, Croydon (Windmill Rd), Newhaven, Redhill, Newton Abbot, Gosport, Sheldon, Bridgwater, Twickenham, Bournemouth, Bath, Hounslow, Bridgend, Huntingdon, Bradford
Rightsizes	2	Altrincham, Tonbridge
Openings	6	Purley Way (Cycle Republic,"CR"), Birmingham (CR), Wimbledon Plough Lane, Leeds (CR), Edinburgh (CR), Southampton (CR)
Closures	3	Mitcham, Wimbledon Broadway, Hastings
Acquired (Tredz)	4	Cardiff, Swansea (2), Cross Hands

Of the six openings in the Retail portfolio, five were Cycle Republic. Management anticipates opening around five Cycle Republic stores in FY18.

17 Retail stores were refreshed in the year (FY16: 25) and management anticipates refreshing 30 in FY18.

Five new Autocentres were opened and six were closed during the year, taking the total number of Autocentre locations to 313 as at 31 March 2017 (end of FY16: 314). 16 Autocentres were refreshed in the year (FY16: 24).

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.

Net Non-recurring Items

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

	FY17 £m	FY16 £m
Organisational restructure costs	(0.6)	(1.7)
Costs in relation to a historic legal case	(0.8)	-
Acquisition and investment related fees	(1.7)	-
Operating lease obligation	(0.3)	-
Net non-recurring operating expenditure	**(3.4)**	**(1.7)**
Acquisition related interest charge	(0.6)	-
Net non-recurring items	**(4.0)**	**(1.7)**

In the current and prior year £0.6m and £1.7m of costs were respectively incurred in relation to separate and unrelated organisational restructuring initiatives across Autocentres and Retail.

During the year a court case was settled relating to activities during FY12, resulting in costs of £0.8m.

Acquisition costs of £1.7m (FY16: £nil) in the period related to the costs associated with the purchase of the entire share capital of Tredz and Wheelies, and the minority investment in TyresOnTheDrive.com. The interest element relates to the unwinding of the discounting applied to the contingent consideration due on the acquisition of Tredz, which will be paid in the first half of FY18.

The operating lease obligation of £0.3m in FY17 related to rectification work unique to one of the Group's retail stores, which was required to make good an area of land upon which the store is located.

Net Finance Costs

The Net Finance Costs excluding acquisition related interest charge for the year was £1.7m (FY16: £3.0m). The primary driver of the lower costs was £1.4m income (FY16: £0.1m expense) in relation to points on foreign exchange forward contracts.

Taxation

The taxation charge on profit for the financial year was £15.0m (FY16: £16.3m), including a £0.9m credit (FY16: £0.3m credit) in respect of non-recurring items. The effective tax rate on profit before tax and non-recurring items of 21.0% (FY16: 20.5%) was higher than the UK corporation tax rate (20.0%) principally due to the effect of non-deductible depreciation and amortisation charged on capital expenditure. For FY18 we anticipate the effective tax rate to be circa 20%.

Earnings Per Share ("EPS")

Underlying Basic EPS was 30.3 pence and after non-recurring items 28.7 pence (FY16: 33.2 pence, 32.5 pence after non-recurring), an 8.7% and 11.7% decrease on the prior year. Basic weighted-average shares in issue during the year were 196.6m (FY16: 195.2m).

Dividend

The Board has recommended a final dividend of 11.68 pence per share ("DPS") (FY16: 11.34 pence), taking the full year ordinary dividend to 17.51 pence per share, an increase of 3.0%. If approved the final dividend will be paid on 25 August 2017 to shareholders on the register at the close of business on 4 August 2017. Including the 10.0 pence special dividend paid in February 2017 the total full year dividend is 27.51 pence.

We continue to target coverage of around 2 times on average over time. However, the impact of adverse FX movements will reduce cover initially until fully mitigated, which will take some time.

Capital Expenditure

Capital investment in the year totalled £36.1m (FY16: £40.3m) comprising £29.5m in Retail and £6.6m in Autocentres. This total includes £1.8m of assets capitalised through the acquisition of Tredz & Wheelies in May 2016.

Within Retail, £11.5m (FY16: £13.4m) was invested in stores, including 17 store refreshes, 9 of which were also store relocations or right-sizes, 5 new Cycle Republic stores as well as general capital spend relating to training rooms, roofing, flooring and heating. By the end of FY17, 114 (FY16: 87) stores were trading in either the latest or preceding refresh format. Additional investments in Retail infrastructure included a £12.5m investment in IT systems, such as continual development of the online Retail proposition, the 'Dayforce' integrated people management solution, development of the 'iServe' till hardware and software project, and a Cycle Republic website.

The £6.6m (FY16: £8.2m) investment in Autocentres comprised the opening of 5 centres in the year (FY16: 11) along with an investment in refreshing centres and new equipment.

On a cash basis, total capital expenditure in the year was £34.4m (FY16: £38.5m).

In FY18 we anticipate capital expenditure to be circa £40m, split broadly half on store refreshes and half on IT investments. We anticipate the Group depreciation and amortisation charge to be circa £33m for FY18.

Inventories

Group inventory held as at the year-end was £191.1m (FY16: £157.9m). Retail inventory increased to £189.8m (FY16: £156.6m) comprising c.£14m from the impact of foreign exchange, c.£13m stock build for Easter and new ranges (such as e-bikes, launched in the final week of the year) and £5.9m Tredz & Wheelies inventory. Autocentres' inventory was £1.3m (FY16: £1.4m).

Cashflow and Borrowings

Operating Cash Flow during the year was £90.0m (FY16: £103.7m). Free Cash Flow of £37.7m (FY16: £45.4m) was generated in the year. Group Net Debt was £85.9m (FY16: £47.9m), with the Net Debt to Underlying EBITDA ratio at 0.8:1.

Financial Targets

We continue to apply four key financial targets, which we reaffirm and appraise ourselves against below:

#	Description	FY17 performance
1	**Grow sales faster than the markets** in which we operate. We continue to 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.	In Retail we gained share in both motoring and cycling. In Autocentres we gained share on a total sales basis, whilst the operational changes had a short-term impact on like-for-like performance.
2	**Maintain Group EBITDA % margin roughly flat** as we continue to invest for sustainable growth. The impact of adverse FX movements will reduce margin initially, until fully mitigated, which will take some time.	Group EBITDA margin was 9.9% (FY16: 11.2%). Excluding the impact of adverse foreign exchange movements, EBITDA margin was broadly flat in FY17 compared to FY16.
3	**Grow the dividend per share every year**, with coverage of around 2 times on average over time. The impact of adverse FX movements will reduce cover initially, until fully mitigated, which will take some time.	The Board has proposed a final dividend of 11.68p, which would take the full year dividend to 17.51p, an increase of 3.0% on the previous year.
4	**A debt target of 1.0x Underlying EBITDA with a range of up to 1.5x** to allow for appropriate M&A. We anticipate moving towards the debt target over time.	We have moved from 0.4x to 0.8x net debt to Underlying EBITDA in FY17 through the consistent application of our capital allocation priorities which resulted in M&A of circa £22m and a special dividend of circa £20m.

Brexit

The decision of the UK to leave the European Union ("Brexit") presents significant uncertainties to the Group as a result of the impact on the wider UK economy. The main areas in which Brexit is likely to impact the Group are as follows:

1) Impact on foreign currency exchange rates – the value of Sterling fell by nearly 20% since FY16. The Group buys a significant proportion of its goods in US Dollars; between \$250m and \$300m a year. At a spot rate of £1:\$1.25 the total FX headwind pre mitigation is nearly £50m of annual cost inflation compared to the FY16 average rate flowing through cost of sales of \$1.60. Our hedging programme means that this phases into our P&L roughly as follows: circa £14m in FY17, a further circa £25m in FY18 and a further circa £10m in FY19. Good progress is being made on FX mitigation, through supplier negotiations, operational efficiencies and pricing. We are seeing prices rise in the cycling market, both from suppliers into retailers and then onto customers. Some of our prices have also risen, but we continue to look to maintain good value against the competition. It is early days and we are yet to see how wider cost inflation impacts on consumer spending more generally, however we are encouraged by the limited volume impact observed to date. We continue to anticipate that we will fully recover the FX impact over time.

2) Prolonged uncertainty over exit terms and continued weakness in Sterling could lead to a slowdown in the UK economy, and consequent loss of consumer confidence, impacting trading conditions for the Group. However, Halfords has strong positions in fragmented Motoring and Cycling markets, and a service-led offer that differentiates us from our competitors, physical and online. Much of our sales are in needs-based categories that are more resilient to macro-economic cycles and our discretionary categories, such as cycling, camping and travel solutions, could benefit from an increase in the number of people choosing to stay at home rather than holidaying abroad; a trend that we observed in 2009.

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 on pages 42 to 47 and note 21 of the Annual Report and Accounts. These include:

- Economic risks; including market risks
- 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, 24 May 2017

Halfords Group plc's LEI code is 54930086FKBWWJIOB179

CONSOLIDATED INCOME STATEMENT

For the period		52 weeks to 31 March 2017			52 weeks to 1 April 2016		
		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		**1,095.0**	**-**	**1,095.0**	1,021.5	-	1,021.5
Cost of sales		**(536.4)**	**-**	**(536.4)**	(478.4)	-	(478.4)
Gross profit		**558.6**	**-**	**558.6**	543.1	-	543.1
Operating expenses	2	**(481.5)**	**(3.4)**	**(484.9)**	(458.6)	(1.7)	(460.3)
Results from operating activities	3	**77.1**	**(3.4)**	**73.7**	84.5	(1.7)	82.8
Finance costs	5	**(3.2)**	**(0.6)**	**(3.8)**	(3.1)	-	(3.1)
Finance income	5	**1.5**	**-**	**1.5**	0.1	-	0.1
Net finance expense		**(1.7)**	**(0.6)**	**(2.3)**	(3.0)	-	(3.0)
Profit before income tax		**75.4**	**(4.0)**	**71.4**	81.5	(1.7)	79.8
Income tax expense	6	**(15.9)**	**0.9**	**(15.0)**	(16.6)	0.3	(16.3)
Profit for the financial period attributable to equity shareholders		**59.5**	**(3.1)**	**56.4**	64.9	(1.4)	63.5
Earnings per share							
Basic	8	**30.3p**		**28.7p**	33.2p		32.5p
Diluted	8	**30.2p**		**28.6p**	33.0p		32.4p

All results relate to continuing operations of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**52 weeks to 31 March 2017 £m**	52 weeks to 1 April 2016 £m
Profit for the period		**56.4**	63.5
Other comprehensive income			
Cash flow hedges:			
Fair value changes in the period		**14.8**	4.7
Transfers to inventory		**(12.8)**	(2.9)
Transfers to net profit:			
Cost of sales		**(5.1)**	(0.6)
Income tax on other comprehensive income	6	**0.5**	0.4
Other comprehensive income for the period, net of income tax		**(2.6)**	1.6
Total comprehensive income for the period attributable to equity shareholders		**53.8**	65.1

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2017 £m	1 April 2016 £m
Assets		
Non-current assets		
Intangible assets	**394.1**	362.9
Property, plant and equipment	**102.8**	107.3
Investments	**8.1**	-
Total non-current assets	**505.0**	470.2
Current assets		
Inventories	**191.1**	157.9
Trade and other receivables	**58.4**	60.7
Derivative financial instruments	**5.2**	4.2
Cash and cash equivalents	**16.5**	11.9
Total current assets	**271.2**	234.7
Total assets	**776.2**	704.9
Liabilities		
Current liabilities		
Borrowings	**(19.8)**	(23.4)
Derivative financial instruments	**(1.5)**	-
Trade and other payables	**(206.2)**	(182.5)
Current tax liabilities	**(8.7)**	(7.5)
Provisions	**(11.0)**	(9.5)
Total current liabilities	**(247.2)**	(222.9)
Net current assets	**24.0**	11.8
Non-current liabilities		
Borrowings	**(82.6)**	(36.4)
Accruals and deferred income – lease incentives	**(31.9)**	(32.3)
Deferred tax liability	**(0.8)**	-
Provisions	**(6.2)**	(7.9)
Total non-current liabilities	**(121.5)**	(76.6)
Total liabilities	**(368.7)**	(299.5)
Net assets	**407.5**	405.4
Shareholders' equity		
Share capital	**2.0**	2.0
Share premium	**151.0**	151.0
Investment in own shares	**(9.5)**	(10.9)
Other reserves	**0.6**	3.2
Retained earnings	**263.4**	260.1
Total equity attributable to equity holders of the Company	**407.5**	405.4

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 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**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	56.4	**56.4**
Other comprehensive income							
Cash flow hedges:							
Fair value changes in the period	-	-	-	-	14.8	-	**14.8**
Transfers to inventory	-	-	-	-	(12.8)	-	**(12.8)**
Transfers to net profit:							
Cost of sales	-	-	-	-	(5.1)	-	**(5.1)**
Income tax on other comprehensive income	-	-	-	-	0.5	-	**0.5**
Total other comprehensive income for the period net of tax	-	-	-	-	(2.6)	-	**(2.6)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(2.6)**	**56.4**	**53.8**
Transactions with owners							
Share options exercised	-	-	1.4	-	-	-	**1.4**
Share-based payment transactions	-	-	-	-	-	1.0	**1.0**
Income tax on share-based payment transactions	-	-	-	-	-	(0.6)	**(0.6)**
Dividends to equity holders	-	-	-	-	-	(53.5)	**(53.5)**
Total transactions with owners	-	-	1.4	-	-	(53.1)	**(51.7)**
Balance at 31 March 2017	**2.0**	**151.0**	**(9.5)**	**0.3**	**0.3**	**263.4**	**407.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	52 weeks to 31 March 2017 £m	52 weeks to 1 April 2016 £m
Cash flows from operating activities			
Profit after tax for the period, before non-recurring items		**59.5**	64.9
Non-recurring items		**(3.1)**	(1.4)
Profit after tax for the period		**56.4**	63.5
Depreciation - property, plant and equipment		**21.6**	23.8
Impairment charge		**-**	-
Amortisation - intangible assets		**10.0**	6.3
Net finance costs		**2.3**	3.0
Loss on disposal of property, plant and equipment		**0.2**	0.4
Equity-settled share-based payment transactions		**1.0**	3.0
Fair value gain on derivative financial instruments		**(1.8)**	(0.4)
Income tax expense		**15.0**	16.3
(Increase) in inventories		**(33.2)**	(8.6)
Decrease/(Increase) in trade and other receivables		**2.3**	(4.9)
Increase in trade and other payables		**14.6**	2.3
(Decrease) in provisions		**(0.2)**	(1.4)
Finance income received		**1.5**	0.1
Finance costs paid		**(2.3)**	(2.3)
Income tax paid		**(15.3)**	(17.2)
Net cash from operating activities		**72.1**	83.9
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(18.0)**	-
Purchase of investment		**(4.1)**	-
Purchase of intangible assets		**(18.4)**	(12.5)
Purchase of property, plant and equipment		**(16.0)**	(26.0)
Net cash used in investing activities		**(56.5)**	(38.5)
Cash flows from financing activities			
Net proceeds from exercise of share options		**1.4**	2.7
Proceeds from loans, net of transaction costs		**297.0**	219.0
Repayment of borrowings		**(251.0)**	(245.0)
Payment of finance lease liabilities		**(0.6)**	(0.6)
Dividends paid		**(53.5)**	(32.4)
Net cash used in financing activities		**(6.7)**	(56.3)
Net increase/(decrease) in cash and bank overdrafts	9	**8.9**	(10.9)
Cash and cash equivalents at the beginning of the period		**(10.8)**	0.1
Cash and cash equivalents at the end of the period	9	**(1.9)**	(10.8)

Cash and cash equivalents at the period end consist of £16.5m (2016: £11.9m) of liquid assets and £18.4m (2016: £22.7m) of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

1. General information and basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, does not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditor has reported on the Group's statutory accounts for each of the years FY16 and FY17, which did not contain any statement under s498 of the Companies Act 2006 and are unqualified. The statutory accounts for FY16 have been delivered to the Registrar of Companies and the statutory accounts for FY17 will be filed with the Registrar in due course.

The consolidated financial statements of Halfords Group plc and its subsidiary undertakings, together "the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements 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 52 weeks to 31 March 2017, whilst the comparative period covered the 52 weeks to 1 April 2016.

2. Operating expenses

For the period	**52 weeks to 31 March 2017 £m**	52 weeks to 1 April 2016 £m
Selling and distribution costs	**401.5**	385.7
	401.5	385.7
Administrative expenses, before non-recurring items	**80.0**	72.9
Non-recurring administrative expenses	**3.4**	1.7
	83.4	74.6
	484.9	460.3

3. Operating profit

For the period	**52 weeks to 31 March 2017 £m**	52 weeks to 1 April 2016 £m
Operating profit is arrived at after charging/(crediting) the following expenses/(incomes) as categorised by nature:		
Operating lease rentals:		
- plant and machinery	**2.0**	2.8
- property rents	**91.7**	89.6
- rentals receivable under operating leases	**(3.8)**	(3.5)
Landlord surrender premiums	**(1.9)**	(2.7)
Loss on disposal of property, plant and equipment	**0.2**	0.4
Amortisation of intangible assets	**10.0**	6.3
Depreciation of:		
- owned property, plant and equipment	**20.8**	23.0
- assets held under finance leases	**0.8**	0.8
Trade receivables impairment	**0.1**	0.2
Staff costs	**219.7**	206.4
Cost of inventories consumed in cost of sales	**524.7**	472.8

4. Non-recurring items

For the period	52 weeks to 31 March 2017 £m	52 weeks to 1 April 2016 £m
Non-recurring operating expenses:		
Acquisition and investment related fees (a)	**1.7**	-
Organisational Restructure Costs (b)	**0.6**	1.7
Operating lease obligation (c)	**0.3**	-
Costs in relation to a historic legal case (d)	**0.8**	-
Non-recurring operating expenditure	**3.4**	1.7
Acquisition related interest charge (e)	**0.6**	-
Non-recurring items before tax	**4.0**	1.7
Tax on non-recurring items (f)	**(0.9)**	(0.3)
Non-recurring items after tax	**3.1**	1.4

(a) Acquisition costs relate to the costs associated with purchase of the share capital of Tredz Limited and Wheelies Direct Limited during the period, and the investment in Tyres on the Drive

(b) Organisational restructuring was undertaken across Autocentres and Retail during the current and prior years, to better align resource to the requirements of the business. This resulted in a non-recurring redundancy expense of £0.6m (2016: £1.7m).

(c) The operating lease obligation relates to rectification work unique to one of the Group's retail stores, which was required to make good an area of land upon which the store is located.

(d) During the year the Group settled a court case which related to activities during FY12.

(e) The acquisition related interest charge reflects the unwinding of the discounting applied to the contingent consideration due on the acquisition of Tredz Limited.

(f) The tax credit of £0.9m represents a tax rate of 20% applied to non-recurring items. The prior period represents a tax credit at 20% applied to non-recurring items.

5. Finance income and costs

Recognised in profit or loss for the period	52 weeks to 31 March 2017 £m	52 weeks to 1 April 2016 £m
Finance costs:		
Bank borrowings	**(1.1)**	(0.9)
Amortisation of issue costs on loans	**(0.7)**	(0.7)
Commitment and guarantee fees	**(0.6)**	(0.6)
Costs of forward foreign exchange contracts	**-**	(0.1)
Acquisition related interest charges	**(0.6)**	-
Interest payable on finance leases	**(0.8)**	(0.8)
Finance costs	**(3.8)**	(3.1)
Finance income:		
Bank and similar interest	**0.1**	0.1
Income from forward foreign exchange contracts	**1.4**	-
Finance income	**1.5**	0.1
Net finance costs	**(2.3)**	(3.0)

6. Taxation

For the period	**52 weeks to 31 March 2017**	52 weeks to 1 April 2016
	£m	£m
Current taxation		
UK corporation tax charge for the period	**16.1**	13.1
Adjustment in respect of prior periods	**(0.3)**	-
	15.8	13.1
Deferred taxation		
Origination and reversal of temporary differences	**(0.4)**	3.1
Adjustment in respect of prior periods	**(0.4)**	0.1
	(0.8)	3.2
Total tax charge for the period	**15.0**	16.3

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

For the period	**52 weeks to 31 March 2017**	52 weeks to 1 April 2016
	£m	£m
Profit before tax	**71.4**	79.8
UK corporation tax at standard rate of 20% (2016: 20%)	**14.3**	16.0
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**1.7**	1.1
Employee share options	**-**	(0.4)
Other disallowable expenses	**0.3**	(0.3)
Adjustment in respect of prior periods	**(0.7)**	0.1
Impact of overseas tax rates	**(0.4)**	(0.4)
Impact of change in tax rate on deferred tax balance	**(0.2)**	0.2
Total tax charge for the period	**15.0**	16.3

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 17% (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 liability at 31 March 2017 has been calculated based on the rate of 17% 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, during this financial period, the UK corporation tax rate was 20% (2016: 20%).

The effective tax rate of 21.0% (2016: 20.5%) is higher than the UK corporation tax rate principally due to the non-deductibility of depreciation charged on capital expenditure and non-deductible amortisation of intangible assets.

The tax charge for the period was £15.0m (2016: £16.3m), including a £0.9m credit (2016: £0.3m credit) in respect of tax on non-recurring items.

An income tax credit of £0.5m (2016: £0.4m 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.

In addition to the above, a £0.6m current tax charge (2016: £0.7m credit) and a £0.6m deferred tax credit (2016: £1.4m debit) 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 & 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 £160m (2016: £150m) with the main taxes including corporation tax £15.3m (2016: £17.2m), net VAT £59.0m (2016: £50.2m), Employment taxes of £48.3m (2016: £45.3m) and business rates £37.3m (2016: £36.9m).

7. Dividends

For the period	**52 weeks to 31 March 2017**	52 weeks to 1 April 2016
	£m	£m
Equity – ordinary shares		
Final for the 52 weeks to 1 April 2016 – paid 11.34p per share (2016: 11.00p)	**22.3**	21.4
Interim for the 52 weeks to 31 March 2017– paid 5.83p per share (2016: 5.66p)	**11.5**	11.0
Special dividend – paid 10.0 per share (2016: nil)	**19.7**	-
	53.5	32.4

In addition, the Directors are proposing a final dividend in respect of the financial period ended 31 March 2017 of 11.68p per share (2016: 11.34p per share), which will absorb an estimated £22.9m (2016: £22.3m) of shareholders' funds. It will be paid on 25 August 2017 to shareholders who are on the register of members on 4 August 2017.

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 52 weeks to 31 March 2017.

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

For the period	**52 weeks to 31 March 2017 Number of shares**	52 weeks to 1 April 2016 Number of shares
	m	m
Weighted average number of shares in issue	**199.1**	199.1
Less: shares held by the Employee Benefit Trust (weighted average)	**(2.5)**	(3.9)
Weighted average number of shares for calculating basic earnings per share	**196.6**	195.2
Weighted average number of dilutive shares	**0.5**	1.1
Total number of shares for calculating diluted earnings per share	**197.1**	196.3

For the period	**52 weeks to 31 March 2017**	52 weeks to 1 April 2016
	£m	£m
Basic earnings attributable to equity shareholders	**56.4**	63.5
Non-recurring items (see note 4):		
Operating expenses	**3.4**	1.7
Finance costs	**0.6**	-
Tax on non-recurring items	**(0.9)**	(0.3)
Underlying earnings before non-recurring items	**59.5**	64.9

Earnings per share is calculated as follows:

For the period	**52 weeks to 31 March 2017**	52 weeks to 1 April 2016
Basic earnings per ordinary share	**28.7p**	32.5p
Diluted earnings per ordinary share	**28.6p**	32.4p
Basic underlying earnings per ordinary share	**30.3p**	33.2p
Diluted underlying earnings per ordinary share	**30.2p**	33.0p

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

	At 1 April 2016 £m	Cash flow £m	Other non-cash changes £m	**At 31 March 2017 £m**
Cash and cash equivalents at bank and in hand	(10.8)	8.9	-	**(1.9)**
Debt due after one year	(25.4)	(46.0)	(0.6)	**(72.0)**
Total net debt excluding finance leases	(36.2)	(37.1)	(0.6)	**(73.9)**
Finance leases due within one year	(0.7)	0.6	(1.3)	**(1.4)**
Finance lease due after one year	(11.0)	-	0.4	**(10.6)**
Total finance leases	(11.7)	0.6	(0.9)	**(12.0)**
Total net debt	(47.9)	(36.5)	(1.5)	**(85.9)**

Non-cash changes include finance costs in relation to the amortisation of capitalised debt issue costs of £0.7m (2016: £0.7m) and changes in classification between amounts due within and after one year.

Cash and cash equivalents at the period end consist of £16.5m (2016: £11.9m) of liquid assets and £18.4m (2016: £22.7m) of bank overdrafts.

10. Acquisition of subsidiary

On 23 May 2016 the Group acquired 100% of the issued share capital of Tredz Limited and Wheelies Direct Limited for initial cash consideration of £19.2m (excluding transaction costs). The acquired business comprises an online retailer of premium bikes and cycling parts, accessories and clothing, which trades UK-wide under the brand Tredz, and the UK's largest provider of bicycle replacement for insurance companies which trades under the brand Wheelies. The transaction has been accounted for using the acquisition method of accounting.

Contingent Consideration

In addition to the initial consideration, a liability of £5.5m was recognised at fair value in respect of contingent consideration due to the previous shareholders. The contingent consideration is dependent upon the performance of Tredz for the year ended 28 February 2017. The range of possible payments under the contingent arrangement is £nil to £12.5m.

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

	Book value £m	**Fair value adjustment £m**	**Final fair value £m**
Tredz and Wheelies net assets at the acquisition date			
Intangible assets and goodwill	0.8	(0.8)	-
Tangible assets	1.3	(0.1)	1.2
Inventories	5.7	(0.1)	5.6
Trade and other receivables	1.8	-	1.8
Cash	1.2	-	1.2
Trade and other payables	(6.1)	-	(6.1)
Borrowings	(0.3)	-	(0.3)
Current tax liabilities	(0.2)	-	(0.2)
Deferred tax liability	(0.2)	-	(0.2)
Total	**4.0**	**(1.0)**	**3.0**

Goodwill

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

	£m
Total consideration	23.9
Less fair value of identifiable assets	(3.0)
Goodwill and intangible assets	**20.9**
Intangible Assets:	
Supplier relationships	7.8
Tredz and Wheelies Brand Names	5.6
Computer Software	0.5
Deferred tax liability	(2.5)
Goodwill	**9.5**

None of the goodwill acquired is expected to be deductible for income tax purposes. The goodwill relates to the assembled workforce of Tredz and Wheelies and future expansion and growth opportunities.

The Tredz and Wheelies businesses contributed £36.7m revenue and a profit of £1.8m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of the Tredz and Wheelies businesses had been completed on the first day of the financial year, Group revenues for the period would have been £6.7m higher and Group profit before tax of the parent would have been £0.5m higher (before amortisation of intangible assets arising on consolidation).

11. Post Balance Sheet Events

On 3 May 2017 the Group announced the resignation of its Group Chief Executive Officer, Jill McDonald, with a leaving date of the end of October 2017.